# Transportation

**Annual Report**
2016-17

Alberta
Government

**Transportation**
**Communications**
2nd floor, Twin Atria Building
4999 - 98 Avenue
Edmonton AB T6B 2X3

Phone: 780.427.7674
Fax: 780.466.3166

**PRINT** — ISBN 978-1-4601-3423-8
ISSN 1924-066X
**ONLINE** — ISBN 978-1-4601-3424-5
ISSN 2368-0482

June 2017

**Note to Readers**:
Copies of this annual report are available on the Transportation website at:
**www.transportation.alberta.ca**

For information about weather and road conditions on Alberta's highway network, please contact:

In Alberta: 5-1-1

Out-of-Alberta: 1-855-391-9743

On the web: 511.alberta.ca

Email: trans.511@gov.ab.ca

# Transportation

## Annual Report
2016-17


2 Preface

3 Minister's Accountability Statement

4 Message from the Minister

5 Management's Responsibility for Reporting

### Results Analysis

9 Ministry Overview

12 Performance Measures Summary Table

14 Discussion and Analysis of Results

- 14 Outcome One: An integrated, multi-modal transportation system that connects and strengthens communities and facilitates a diversified economy
- 22 Outcome Two: A transportation system that is safe and secure, protecting Albertans and working toward zero deaths and serious injuries
- 28 Outcome Three: A transportation system that supports environmental stewardship and the quality of life for all communities
- 33 Outcome Four: Long-term sustainability and affordability of Alberta's transportation system

38 Performance Measure Methodology

### Financial Information

43 Table of Contents – Ministry of Transportation Consolidated Financial Statements

73 Table of Contents – Department of Transportation Financial Statements

111 Table of Contents – Alberta Transportation Safety Board Financial Statements

### Annual Report Extracts and Other Statutory Reports

127 Statutory Report: *Public Interest Disclosure (Whistleblower Protection) Act*

# Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Fiscal Planning and Transparency Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 21 ministries.

The annual report of the Government of Alberta contains ministers' accountability statements, the consolidated financial statements of the province and *Measuring Up* report, which compares actual performance results to desired results set out in the government's strategic plan.

**This annual report of the Ministry of Transportation contains the minister's accountability statement, the audited consolidated financial statements of the ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This ministry annual report also includes:**

- **the financial statements of entities making up the ministry including the Department of Transportation, and the Alberta Transportation Safety Board for which the minister is responsible; and**
- **other financial information as required by the *Financial Administration Act* and *Fiscal Planning and Transparency Act*, either as separate reports or as a part of the financial statements, to the extent that the ministry has anything to report.**

# Minister's Accountability Statement

The ministry's annual report for the year ended March 31, 2017, was prepared under my direction in accordance with the *Fiscal Planning and Transparency Act* and the government's accounting policies. All of the government's policy decisions as at May 31, 2017 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by]

**Honourable Brian Mason**
Minister of Transportation

# Message from the Minister

Alberta Transportation staff continues to work hard to provide a safe, integrated, innovative and sustainable transportation system that supports our province's economy and improves our quality of life. The following report describes the results achieved by the Department of Transportation in the 2016-17 fiscal year.

Our top priorities included supporting public transportation options, such as electric buses and light rail transit and building new and upgrading existing highways to ensure the safe and efficient movement of people and goods around the province and to export markets. We do all of this while promoting transportation safety and reliability in Alberta. Part of this focus is to ensure Alberta has an integrated multi-modal transportation system, an essential component in supporting our province's economic growth.

Transportation was significantly involved in supporting the response and recovery phases of the May 2016 Regional Municipality of Wood Buffalo wildfire, working closely with all three orders of government, emergency responders, industry, law enforcement and other partners. We continue supporting Alberta municipalities, not only through transit grants, but by reinstating funding for critical clean water and wastewater projects, and a renewed commitment through the Strategic Transportation Infrastructure Program (STIP) for other important local road and community airport infrastructure.

In 2016-17, our Ministry engaged with Albertans and stakeholders about transit and STIP criteria to help us better meet the many transportation and community needs of Albertans across the province. We will continue to work with our stakeholders and Albertans about the future of transportation investments.

At the same time, Transportation is facing exciting times ahead as we adopt innovative and rapidly evolving new technologies that will take us into the future. Transportation continues not only to plan for these changes, but also to provide appropriate supports today. We will continue to develop and maintain an innovative, safe and effective provincial transportation network. We will continue to help create jobs by investing in the infrastructure we need today to build tomorrow's future to make life better for Albertans.

[Original signed by]

**Honourable Brian Mason**
Minister of Transportation

## Management's Responsibility for Reporting

The Ministry of Transportation includes the Department of Transportation and the Alberta Transportation Safety Board.

The executives of the individual entities within the ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the ministry rests with the Minister of Transportation. Under the direction of the minister, I oversee the preparation of the ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliability – information used in applying performance measure methodologies agrees with the underlying source data for the current and prior years' results.
- Understandability – the performance measure methodologies and results are presented clearly.
- Comparability – the methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Completeness – outcomes, performance measures and related targets match those included in the ministry's Budget 2016.

As deputy minister, in addition to program responsibilities, I am responsible for the ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the province under ministry administration;
- provide Executive Council, the President of Treasury Board, Minister of Finance, and the Minister of Transportation information needed to fulfill their responsibilities; and
- facilitate preparation of ministry business plans and annual reports required under the *Fiscal Planning and Transparency Act*.

In fulfilling my responsibilities for the ministry, I have relied, as necessary, on the executives of the individual entities within the ministry.

[Original signed by]

**Barry Day**
Deputy Minister of Transportation
May 31, 2017

# RESULTS ANALYSIS

# MINISTRY OVERVIEW

Transportation is responsible for providing a safe, integrated, innovative and sustainable multi-modal transportation system that supports a strong Alberta economy and makes life better for Albertans.

Alberta's transportation system is intended to support the:

- **Economy:** connecting Albertans to local and world markets, and enabling investment, business, industry, agriculture, tourism and job creation;
- **Society:** providing transportation options to meet the needs of Alberta's growing population, connecting Albertans to friends, family, work, schools, health care, recreation and communities throughout the province, and promoting safer road users, vehicles and infrastructure;
- **Environment:** enhancing the quality of life in our communities by promoting ways to reduce transportation's impact on land, water and air; and
- **Fiscal Framework:** promoting efficiency and affordability.

## Key Responsibilities

The ministry consists of the Department of Transportation and the Alberta Transportation Safety Board, which is an independent, quasi-judicial body. The key responsibilities of the department are:

- Leading the development of a well-integrated multi-modal (road-rail-air-port-active-public transit) transportation system for Alberta.
- Leading the planning, construction, operation and preservation of a sustainable provincial highway network to connect Alberta's communities, and supporting a diversified economy and social growth for the province.
- Developing and implementing the Alberta Transportation Safety Plan and operating the Office of Traffic Safety to reduce collisions and fatalities and promote safer road users, vehicles and infrastructure.
- Supporting the development of public transit systems in municipalities and across regions to provide Albertans with more transportation options, including those that minimize environmental impacts.
- Managing grant programs to help municipalities develop and preserve their transportation systems and other priority infrastructure for Albertans.
- Designing, constructing and maintaining Alberta's water management infrastructure on behalf of Environment and Parks.
- Promoting Alberta's interests in a safe, innovative and sustainable transportation system to all orders of government, and in national and international trade agreements and regulatory harmonization initiatives.

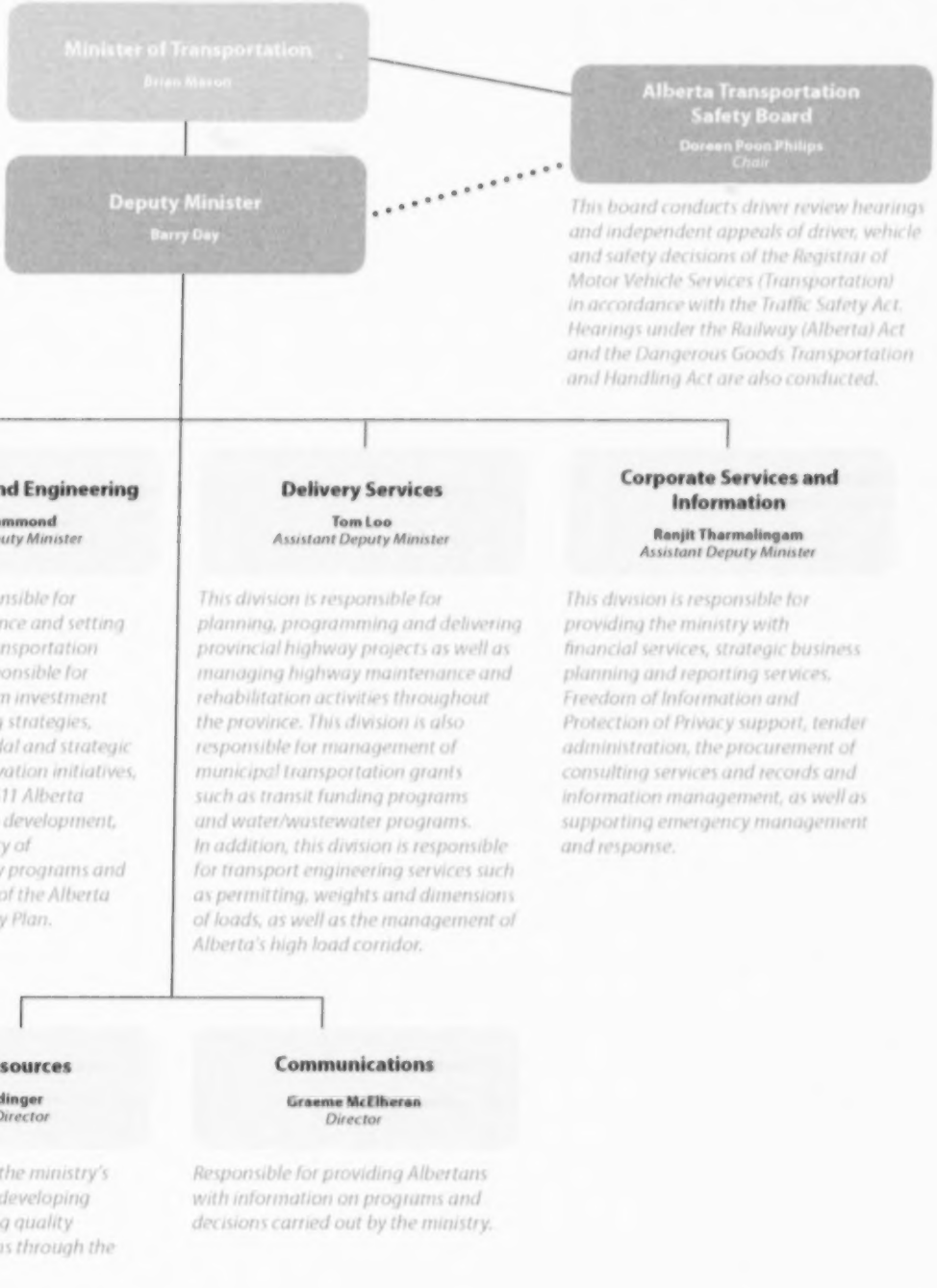
The Alberta Transportation Safety Board's key responsibilities are to:

- Conduct driver review hearings and independent appeals of driver, vehicle and safety decisions from the Registrar of Motor Vehicle Services in accordance with the principles of natural justice.
- Conduct hearings under the *Railway (Alberta) Act* and the *Dangerous Goods Transportation and Handling Act*.

All decisions of the Alberta Transportation Safety Board are made independently in accordance with governing legislation: the *Traffic Safety Act*, the *Railway (Alberta) Act* and the *Dangerous Goods Transportation and Handling Act*.

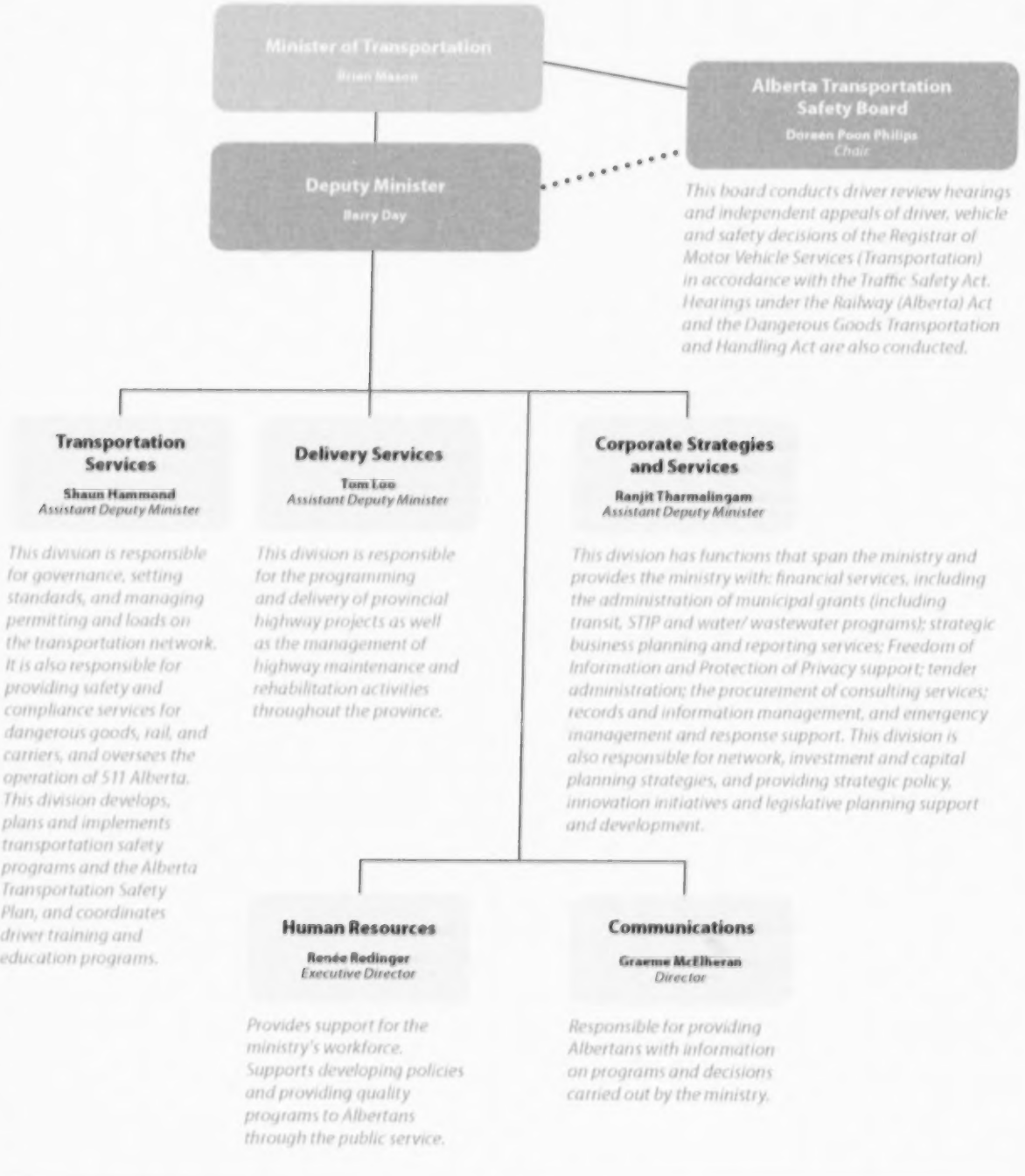
# Ministry Organizational Overview

**Ministry of Transportation Organizational Overview – As of March 31, 2017**


Minister of Transportation
Brian Mason
Deputy Minister
Barry Day
Alberta Transportation Safety Board
Doreen Poon Philips
Chair
This board conducts driver review hearings and independent appeals of driver, vehicle and safety decisions of the Registrar of Motor Vehicle Services (Transportation) in accordance with the Traffic Safety Act. Hearings under the Railway (Alberta) Act and the Dangerous Goods Transportation and Handling Act are also conducted.
Safety, Policy and Engineering
Shaun Hammond
Assistant Deputy Minister
This division is responsible for developing governance and setting standards for the transportation system. It is also responsible for developing long-term investment and capital planning strategies, providing multi-modal and strategic policy support, innovation initiatives, and overseeing the 511 Alberta system as well as the development, planning and delivery of transportation safety programs and the implementation of the Alberta Transportation Safety Plan.
Delivery Services
Tom Loo
Assistant Deputy Minister
This division is responsible for planning, programming and delivering provincial highway projects as well as managing highway maintenance and rehabilitation activities throughout the province. This division is also responsible for management of municipal transportation grants such as transit funding programs and water/wastewater programs. In addition, this division is responsible for transport engineering services such as permitting, weights and dimensions of loads, as well as the management of Alberta's high load corridor.
Corporate Services and Information
Ranjit Tharmalingam
Assistant Deputy Minister
This division is responsible for providing the ministry with financial services, strategic business planning and reporting services, Freedom of Information and Protection of Privacy support, tender administration, the procurement of consulting services and records and information management, as well as supporting emergency management and response.
Human Resources
Renée Redinger
Executive Director
Provides support for the ministry's workforce. Supports developing policies and providing quality programs to Albertans through the public service.
Communications
Graeme McElheran
Director
Responsible for providing Albertans with information on programs and decisions carried out by the ministry.

# Ministry Organizational Overview

**Ministry of Transportation Organizational Overview – After the April 18, 2017 Organizational Realignment to Service Delivery Model**


Minister of Transportation
Brian Mason
Alberta Transportation Safety Board
Doreen Poon Philips
Chair
This board conducts driver review hearings and independent appeals of driver, vehicle and safety decisions of the Registrar of Motor Vehicle Services (Transportation) in accordance with the Traffic Safety Act. Hearings under the Railway (Alberta) Act and the Dangerous Goods Transportation and Handling Act are also conducted.
Deputy Minister
Barry Day
Transportation Services
Shaun Hammond
Assistant Deputy Minister
This division is responsible for governance, setting standards, and managing permitting and loads on the transportation network. It is also responsible for providing safety and compliance services for dangerous goods, rail, and carriers, and oversees the operation of 511 Alberta. This division develops, plans and implements transportation safety programs and the Alberta Transportation Safety Plan, and coordinates driver training and education programs.
Delivery Services
Tom Loo
Assistant Deputy Minister
This division is responsible for the programming and delivery of provincial highway projects as well as the management of highway maintenance and rehabilitation activities throughout the province.
Corporate Strategies and Services
Ranjit Tharmalingam
Assistant Deputy Minister
This division has functions that span the ministry and provides the ministry with: financial services, including the administration of municipal grants (including transit, STIP and water/wastewater programs); strategic business planning and reporting services; Freedom of Information and Protection of Privacy support; tender administration; the procurement of consulting services; records and information management, and emergency management and response support. This division is also responsible for network, investment and capital planning strategies, and providing strategic policy, innovation initiatives and legislative planning support and development.
Human Resources
Renée Redinger
Executive Director
Provides support for the ministry's workforce. Supports developing policies and providing quality programs to Albertans through the public service.
Communications
Graeme McElheran
Director
Responsible for providing Albertans with information on programs and decisions carried out by the ministry.

# PERFORMANCE MEASURES SUMMARY TABLE

| Outcomes and Performance Measures | | | Prior Years' Results | | | | Target | Current Actual |
|---|---|---|---|---|---|---|---|---|
| | | | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2016-17 |
| ***Outcome One:*** | *An integrated, multi-modal transportation system that connects and strengthens communities and facilitates a diversified economy* | | | | | | | |
| **Performance Measure 1.a** | Highway 63 twinning between Grassland and Fort McMurray: Percentage of twinned highway kilometres open to travel | | 22.0% | 22.0% | 22.0% | 99.0% | 100.0% | 100.0% |
| **Performance Measure 1.b** | Ring roads in Edmonton and Calgary: Percentage of combined ring road kilometres open to travel | | 70.5% | 80.6% | 80.6% | 80.6% | 84.0% | 84.0% |
| ***Outcome Two:*** | *A transportation system that is safe and secure, protecting Albertans and working toward zero deaths and serious injuries* | | | | | | | |
| **Performance Measure 2.a** | Combined fatal and major injury collision rate per 100,000 population | | 68.6 | 66.6 | 66.6 | 65.9 | 60.8 | 63.5 |
| ***Outcome Three:*** | *A transportation system that supports environmental stewardship and the quality of life for all communities* | | | | | | | |
| **Performance Measure 3.a** | Client Satisfaction Survey: Percentage of municipal clients satisfied with overall quality of service (biennial survey)* | | 93% | n/a | 93% | n/a | 95% | 87% |
| ***Outcome Four:*** | *Long-term sustainability and affordability of Alberta's transportation system* | | | | | | | |
| **Performance Measure 4.a** | Physical condition of provincial highway surfaces | Good | 58.4% | 57.8% | 56.4% | 56.5% | 55.0% | 56.6% |
| | | Fair | 26.4% | 27.1% | 27.5% | 27.0% | 28.0% | 27.3% |
| | | Poor | 15.2% | 15.1% | 16.1% | 16.5% | 17.0% | 16.1% |

For more detailed information see Performance Measure Methodology section on pages 38 to 39.

*The Client Satisfaction Survey is completed every two years and measures the satisfaction of municipal partners with the ministry's service for grant programs.

## Strategic Risks Update

The ministry recognizes that it must identify and systematically manage the effect of uncertainty on outcomes in order to be successful in achieving its objectives. The ministry's response to strategic risks, as identified in the 2016-19 Transportation Business Plan, is presented below:

**Key Risk:** Transportation's long-term vision and its execution must be clear and effectively communicated to enhance stakeholder and the public understanding about what the ministry is doing and why.

**Key Risk Update:** Recent innovations in transportation and public expectations have created significant global changes in transportation. The ministry developed a refreshed Service Delivery Model to provide clarity and focus for current and future direction. The Model will serve as a roadmap for how to meet the changing needs of industry and Transportation. The ministry continues to support a stakeholder and partner-centred focus through ongoing collaboration, consultation and communication on many priority initiatives encompassing the development of a long-term strategic plan and Transportation Safety Plan, including amendments to the *Traffic Safety Act*.

**Key Risk:** Standards, policies and legislative approaches may not fully anticipate new and emerging technologies, trends and patterns.

**Key Risk Update:** The ministry is cognizant of how rapidly the public transportation industry is changing, particularly emerging technological advancements. Transportation continues to investigate and implement appropriate innovative technologies and approaches that promote a safe and intelligent transportation system through forward looking policy review and planning. Strategic policy is focused on planning that utilizes appropriately diverse and relevant inputs, forecasts and emerging trends, such as technology and demographics to inform the long-term plans and actions of the ministry.

**Key Risk:** Safety programs may not alter driver behavior.

**Key Risk Update:** The ministry continues to proactively address safety on provincial highways to help prevent transportation-related deaths and serious injuries through the implementation of safety strategies identified in the draft Transportation Safety Plan. Transportation amended the *Traffic Safety Act*, initiated a new impaired driving campaign, provided regular updates to online advertisements and redesigned a website that communicates traffic safety information to the public. The ministry continues to support community partners taking a leadership role in identifying local traffic safety priorities and developing solutions that make sense for their communities.

**Key Risk:** It is not possible to address all rehabilitation needs of the highway network at one time, as well as new development and capacity improvements.

**Key Risk Update:** Transportation works diligently to maintain fiscal accountability balanced with providing required upgrades and new development and improvements to the highway network. The ministry partners with the federal government to fund transportation infrastructure needs, and with municipalities and industry to examine the long-term sustainability of the network. Enhanced transportation asset management planning to support decision-making, taking into account life-cycle costs, economic, environmental and social impacts, will provide strategic direction on sustaining the province's infrastructure over the long term. The safe and secure movement of people and products in Alberta remains a priority.

# DISCUSSION AND ANALYSIS OF RESULTS

## *Outcome One: An integrated, multi-modal transportation system that connects and strengthens communities and facilitates a diversified economy*

*Alberta's economic prosperity and increasing population call for a transportation network that connects people, places and products throughout Alberta and beyond its borders. The network must promote Alberta's competitiveness, support access to markets and enable connected and vibrant communities, to enhance Alberta's quality of life.*



### Key Strategy 1.1: Create and implement a transportation strategy to develop a multi-modal system that will connect communities and support active transportation, a strong economy and a healthy environment for all Albertans to meet growing urban, rural and regional transportation needs

Transportation is continuing to develop a long-term, multi-modal strategic plan. This forward-thinking framework will help ensure Albertans and Alberta businesses have access to a transportation system that supports the province's economic, social and environmental vitality. The strategic plan will also provide a mechanism for increased collaboration and information sharing as the ministry works with transportation stakeholders and clients to ensure the safe and efficient flow of people and products from origin to destination.

Going forward, the strategic plan will form an integral part of Transportation's Business Plan, ensuring the transportation system evolves over time to meet growing social, economic and environmental demands. The ministry's 2017-20 Business Plan reflects this commitment and incorporates the six foundational goals into its outcomes. Transportation will also continue to work with other ministries to ensure its strategic plan is aligned with government direction and initiatives, such as the Alberta Climate Leadership Plan and the Alberta Jobs Plan.

### Key Strategy 1.2: Work with partners to support community transit, rural bus service and the development of strategies to promote accessible, affordable and inclusive transit for families, Albertans in need, seniors, people with disabilities and Indigenous peoples

Transportation engaged with stakeholders, the public and clients in spring 2016 to learn about the transportation needs and priorities of Albertans who live in rural and urban communities throughout the province. This engagement highlighted public transportation issues, challenges and opportunities, and informed the development of the draft provincial public transit strategy.

The strategy outlines key actions the ministry and its partners will undertake over the next five years that support the development of a safe, innovative, accessible and environmentally sustainable public transportation system and a high quality of life for Albertans.

Transportation is also looking to implement rural public transportation pilot project(s) over the coming year that may inform the development of a future rural bus initiatives program. This would increase accessibility for Albertans living in rural areas via public transportation connections to neighbouring communities, connecting them to work, services and each other. Rural busing can also connect passengers to larger transportation hubs in urban or regional areas, places where passengers have multiple options to transfer between different modes of transportation such as bus, rapid transit systems, car and bike or walking trails.

## Key Strategy 1.3: Promote the development of public transit systems through grant funding programs to support municipal and regional transportation

In September 2016, 49 public transit projects across Alberta were announced as part of the signing of the Canada-Alberta bilateral agreement for Alberta. The federal government committed $212.4 million in Public Transit Infrastructure Fund (PTIF) funding, which provides short-term funding to municipalities in order to accelerate transit investments. The Government of Alberta committed $106.2 million through the Green Transit Incentives Program (GreenTRIP), which helps communities purchase transit vehicles, enhance transit technology, build transit infrastructure and invest in other areas of need. The remaining $106.2 million for these projects is funded by municipalities.

The 49 projects announced included three Calgary transit projects totaling $137 million from all three levels of government, including: Light Rail Transit (LRT) station refurbishment, the purchase of light rail vehicles and providing support for Phase Two of the 17 Avenue Southeast Bus Rapid Transit project. The 46 other transit projects announced were for the City of Edmonton totaling $287.8 million from all three levels of government to support design and concept planning for a number of LRT expansion projects. Work will also take place to renew and replace existing buses, and undertake significant infrastructure upgrades for the city's existing transit system, such as renewing transit centre busways and terminals. The LRT projects in both cities will increase ridership while reducing traffic congestion, and will improve Albertans' ability to connect to jobs, services and each other safely and efficiently.

In December 2016, an additional 52 new public transportation projects in Alberta were announced as part of a second list of approved PTIF/provincial projects. The federal contribution will be more than $132.9 million for these projects; the province will invest $79.4 million, and municipalities will provide $58 million. These transit investments also support the Government of Alberta Climate Leadership Plan.

The Government of Alberta also committed an additional $156.5 million in 2016-17 for 37 transit projects to be funded up to two-thirds through GreenTRIP, with municipalities providing the balance of $79.2 million. This funding encourages municipalities to assess and identify local transit priorities and continue to invest in innovative and sustainable transit projects.

## Key Strategy 1.4: Develop infrastructure improvements for the long-term to enhance mobility for transportation users and support routes servicing major economic corridors

A well-preserved highway network that continues to evolve to meet social and economic needs enables the safe and efficient movement of people and products to destinations and markets within and outside the province, contributing to the economic vitality of the province. Transportation is responsible for maintaining and developing the provincial highway network, which currently consists of 31,400 kilometres of highway.

The 2016 construction season included nearly 300 projects across the province, with the equivalent of almost 1,500 kilometres of two-lane highway paved or widened, and 105 bridges replaced, repaired or constructed.

## Major Highway Rehabilitation Projects Completed in 2016-17

(Includes projects greater than $2 million and over 80 per cent completed in 2016-17 fiscal year)

| Highway | Description | Km | District |
|---|---|---|---|
| 1 | East Boundary Stony Indian Reserve – West of Highway 22 | 31.7 | Calgary |
| 40 | Kakwa River – Cutbank River | 32.0 | Grande Prairie |
| 754 | 45 Kilometres North of Highway 88 – 6 Kilometres North of Highway 813 (Selective) | 51.2 | Fort McMurray |
| 43 | Highway 49 – 17 Kilometres South of Highway 665 (SBL) | 24.4 | Grande Prairie |
| 29 | Highway 15 – Highway 855 | 32.6 | Vermilion |
| 63 | South of Marianna Lake – North of Algar Tower | 39.9 | Fort McMurray |
| 44 | 1 Kilometre North of Highway 16 – 1 Kilometre North of Highway 642 (Selective) | 25.8 | Stony Plain |
| 759 | Highway 39 – Highway 624 | 18.3 | Stony Plain |
| 22 | Highway 587 – 10 Kilometres North of Highway 54 | 27.1 | Red Deer |
| 16 | 2 Kilometres West of Highway 870 – Minburn Access (UAR 216) (EBL & WBL) | 29.4 | Vermilion |
| 35 | Highway 691 – 10 Kilometres South of Highway 692 (Includes Work at Meikle River Slide and Safety Rest Area, South of Manning) | 28.1 | Peace River |
| 2 | West End of Peace River Bridge to Highway 2A | 12.3 | Peace River |
| 16 | 1 Kilometre East of Highway 21 – 1 Kilometre West of Highway 830 (EBL) | 9.5 | Stony Plain |
| 18 | East of Clyde – Highway 63 (Selective) | 32.9 | Athabasca |
| 22X | 7 Kilometres East of Highway 791 – Highway 24 | 9.4 | Calgary |
| 36 | 2 Kilometres North of Highway 556 – 10 Kilometres North of Highway 561 | 20.1 | Hanna |
| 44 | Highway 18 (Westlock) – Highway 661 | 21.3 | Athabasca |
| 2 | 1 Kilometre East of Highway 44 – 15 Kilometres South of Town of Slave Lake | 40.4 | Athabasca |
| 549 | Highway 22 – Highway 552 | 19.6 | Calgary |
| 881 | Highway 28 – 6 Kilometres North of Highway 660 | 16.1 | Athabasca |
| 547 | Highway 799 – Highway 24 | 15.0 | Calgary |
| 36 | Highway 619 – 18 Kilometres North of Town of Viking | 19.2 | Vermilion |
| 851 | Highway 9 – Farrell Lake | 27.5 | Hanna |
| 1A | 6 Kilometres East of Highway 22 – 18 Kilometres West of Highway 201 | 21 | Calgary |
| 1 | Highway 797 – Town of Strathmore (WBL) | 20.9 | Calgary |
| 22 | Highway 549 – Highway 22X | 12.8 | Calgary |
| 36 | Town of Two Hills – Highway 45 | 1.0 | Vermilion |
| 855 | Highway 13 – Highway 26 | 17.5 | Vermilion |
| 9 | Highway 838 – Highway 27 | 19.4 | Hanna |

**NBL** – North Bound Lane, **EBL** – East Bound Lane, **SBL** – South Bound Lane, **WBL** – West Bound Lane, **UAR** – Urban Approach Road

| | | | |
|---|---|---|---|
| 32 | 15 Kilometres North of Highway 748 – 17 Kilometres South of Highway 43 | 20.7 | Edson |
| 631 | Highway 36 – Highway 870 (North) | 19.8 | Vermilion |
| 501 | 24 Kilometres West of Town of Milk River – 12 Kilometres West of Highway 4 | 15.8 | Lethbridge |
| 18 | Thunder Lake Park Road (Park Access Road 107) – Highway 33 | 17.9 | Athabasca |
| 752 | 17 Kilometres South of Highway 11A – Highway 11A | 17.7 | Red Deer |
| 16 | East of Highway 16A – West of Highway 36 (WBL) | 9.5 | Vermilion |
| 567 | Highway 791 – Highway 9 | 14.5 | Calgary |
| 661 | Highway 44 – Highway 2 | 24 | Athabasca |
| 16 | Highway 36 – 1 Kilometre West of Village of Innisfree (EBL) | 18.8 | Vermilion |
| 11 | 1 Kilometre North of Highway 598 – South of Town of Rocky Mountain House | 3.6 | Red Deer |
| 16 | 2 Kilometres West of Highway 834 – 7 Kilometres West of Town of Mundare (EBL) | 15.0 | Vermilion |
| 43 | 2 Kilometres East of Highway 736 – Young's Point Park Road (Park Access Road 135) (WBL) | 10.4 | Grande Prairie |
| 36 | South of Highway 513 to Town of Taber | 13.1 | Lethbridge |
| 620 | West of Highway 753 – Highway 22 (Drayton Valley) | 45.0 | Stony Plain |
| 2 | Morinville – North of Highway 18 (Selective) | 21.9 | Stony Plain |
| 2 | Highway 37 – Town of Morinville (NBL) | 12.4 | Stony Plain |

**NBL** – North Bound Lane, **EBL** – East Bound Lane, **SBL** – South Bound Lane, **WBL** – West Bound Lane, **UAR** – Urban Approach Road

## Major Capital Projects Underway in 2016-17

(Includes projects greater than $2 million and over 50 per cent completed in 2016-17 fiscal year)

| Highway | Description | Type |
|---|---|---|
| 44 | Highway 2 and Highway 44 – North of Clyde and Westlock | Intersection Improvements |
| 2 | Climbing Lanes, West End of Peace River Bridge, Peace River | Climbing Lanes |
| 88 | Willow Creek – North of Lafond Creek (North of Slave Lake) | Second Stage Paving |
| 88 | North of Lafond Creek – South of Wabasca River (North of Slave Lake) | Second Stage Paving |
| 88 | North of Senex Creek – Wadlin Lake Road (North of Slave Lake) | Second Stage Paving |
| 88 | South of Highway 686 – North of 23rd Baseline (North of Slave Lake) | Second Stage Paving |
| 43 | East of Crooked Creek – West of Sturgeon Lake Indian Reserve West Boundary (West of Valleyview) | Second Stage Paving |
| 40 | 19 Kilometres South of Highway 47 – Highway 47 (Southeast of Hinton) | Second Stage Paving |

| | | |
|---|---|---|
| 88 | North of Junction Highway 686 – Willow Creek (North of Slave Lake) | Second Stage Paving |
| 36 | Chin Coulee Surface Repair Due to Slide (10 Kilometres North of Highway 61, South of Taber) | Slide Repair |
| 41 | Kehiwin Lake Slide Repair and Other Work (North of Elk Point) | Slide Repair |
| 2 | Peace River East Hill Retaining Wall Site – Foundation/Retaining Structure (Peace River) | Slide Repair |
| 2 | Sucker Creek (Arcadia Creek Bridge ) on Highway 2, 12 Kilometres East of Enilda (East of High Prairie) | Bridge Work |
| 2 | Bow River Ivor Strong Bridge, Deerfoot Trail, at Calgary (North Approach Slab, Deck Joints) | Bridge Work |
| 33 | Chalmers Creek Culvert, 30 Kilometres North of Swan Hills | Bridge Work |
| 616 | Modeste Creek Bridge, 2 Kilometres West of Breton (Southeast of Drayton Valley) | Bridge Work |
| 28 | Various Curve Revisions (Three) West of Redwater, Highway 38, North of Redwater | Highway Reconstruction |
| 12 | Highway 20 – Highway 792 (Phase 2) (West of Lacombe) | Highway Reconstruction |
| 717 | Bear Canyon – Highway 64 (West of Fairview, Near BC border) | Base and Paving |
| 741 | Subgrade Rehab and Regravel and Grading (Northeast of Manning) | Grading |



The ministry also initiated two additional major projects in 2016-17, that once complete will enhance the mobility of transportation users and support routes servicing major economic corridors:

- **Construction of an Interchange on Highway 2 at Gaetz Avenue/Taylor Drive in Red Deer** – Budget 2016 allocated $100 million for the completion of this project, and interchange construction work began in September 2016. Work will include the removal of three bridges and construction of five new bridges, expansion to three lanes in each direction from 32 Street to Mackenzie Road and building collector-distribution roads that will run parallel to Highway 2. The interchange is expected to be open to traffic prior to the Canada Winter Games, to be hosted in Red Deer in February 2019.
- **Grande Prairie Bypass on Highway 43X** – Budget 2016 allocated $54 million for this project which includes land purchase, utility relocation, engineering and construction. A new bypass in Grande Prairie is expected to reduce congestion, improve traffic flow and lead to fewer accidents on this heavily travelled route, while supporting economic development across the Grande Prairie region. Project work includes construction of 12 kilometres of twinned highway, three bridges, bridge culverts and a roundabout, and is expected to be complete by fall 2018.

Transportation has restored the Strategic Transportation Infrastructure Program (STIP), a grant program that provides strategic, project-specific investment for capital construction and rehabilitation of key local transportation infrastructure in smaller and rural municipalities. The program funds community airports, local bridges and resource road projects that will improve the mobility of people and products and increase economic growth in the region. Revised funding criteria was announced in November 2016 based on input from stakeholder engagement in spring 2016. Government reinstated funding, with $100 million allocated in Budget 2017: $35 million will be available in 2017-18, $30 million in 2018-19, and $35 million in 2019-20. The $35 million available for

funding in the 2017-18 fiscal year is divided between the four funding streams as follows: Local Road Bridges – $21 million, Community Airport Program – $2 million, Resource Road Program – $7 million and Local Municipal Initiatives – $5 million.

The Pacific Gateway Alliance is a vital partnership between the Governments of Alberta, British Columbia, Saskatchewan, Canadian National Railway, Canadian Pacific Railway, and the Ports of Vancouver and Prince Rupert, and work continued during the 2016-17 fiscal year, including:

- helping to ensure products originating from prairie provinces can access west coast ports in an efficient and effective manner;
- recommending port, rail, road and airport infrastructure investments; and
- actively promoting the Pacific Gateway as a transportation hub to access the Asian markets.

## Key Strategy 1.5: Complete the twinning of Highway 63 between Grassland and Fort McMurray to improve safety for travellers and accommodate economic activity

In May 2016, the last three kilometres of twinning on Highway 63 south of Horse Creek were completed and 240 kilometres of Highway 63 between Grassland and Fort McMurray, which cost $17 million, is now entirely twinned and open to traffic, although second-stage paving is being completed on some sections. The conclusion of this $1.2 billion multi-year project greatly improves the safety and efficiency of travellers to and from the Fort McMurray region.

The twinned highway now provides safe passing opportunities and additional space to accommodate oversized loads, decreasing traffic congestion, the risk of collisions and time spent travelling to and from the Fort McMurray region.

The timeline for completing this project and opening all lanes of traffic was accelerated well ahead of schedule in 2016 to facilitate the safe and efficient re-entry of Fort McMurray residents following the Fort McMurray wildfire.

## Key Strategy 1.6: Continue construction of the Edmonton and Calgary ring roads

The last section of the Edmonton Ring Road, also known as Highway 416 or the Anthony Henday, cost $188 million in 2016-17 and opened on October 1, 2016, bringing an end to five years of major project work which covered 27 kilometres of six- and eight-lane divided road. This included nine kilometres of new construction and reconstruction at 18 existing connections; nine interchanges; two road flyovers; eight rail-crossing flyovers; and two twinned bridges across the North Saskatchewan River, for a total of 47 bridge structures. Alberta's first completed ring road provides close to 80 kilometres of free flow traffic around Edmonton, reducing traffic congestion and travel time and supporting safe and efficient travel for road users. The ring road also supports Alberta's businesses and promotes continued economic development, providing a new connection between national and provincial highway networks and international trade corridors.

In 2016-17, $102.7 million of work was completed on the Calgary Ring Road also known as Highway 201 or the Stoney Trail, which was 80 per cent complete as of March 31, 2017. On July 15, 2016 the Governments of Canada and Alberta announced a new infrastructure agreement to help fund the southwest portion of the ring road. The Government of Canada will contribute $582.9 million for this $1.42 billion project, with the Province of Alberta contributing the balance. The Southwest Calgary Ring Road project is large and complex with 49 bridges, including three river crossings and one roadway flyover, 31 kilometres of six- and eight-lane divided roadway, 14 interchanges, one railway overpass and the reconstruction of Glenmore Trail from Sarcee Road to east of 37 Street SW. This strategic investment in infrastructure will help create well-paying jobs over the course of construction, in alignment with the Government of Alberta's Alberta Jobs Plan. Once complete, this project will be an important link to the East-West Trade Corridor and is expected to help alleviate congestion on City of Calgary roads.

## Key Strategy 1.7: Promote harmonized standards and regulations with partner jurisdictions and clearly communicate objectives to industry

The Government of Alberta continues to be involved in the *Canada Transportation Act* (CTA) Review, which was first launched in 2014, to provide Transport Canada with Alberta's perspectives for a long-term plan for transportation across the country. An effective, reliable transportation network is crucial to the Government of Alberta's goal of diversifying the agriculture industry and the provincial economy as a whole. Alberta Transportation Minister Brian Mason also wrote to the federal Minister of Transport Marc Garneau to reiterate Alberta's position on key terms and issues related to the CTA Review and development of Transportation 3030. This included supporting the recommendation that the federal government work with provinces to harmonize regulatory standards for trucking.

Alberta also participates in the New West Partnership, which includes British Columbia, Alberta and Saskatchewan. The New West Partnership was created in March 2009 to advance shared interests to strengthen the economy of the region. The vision is to create an integrated and collaborative system and supply chain that pivots ahead of shifts in demand, keeps pace with demand growth, prioritizes safety and environmental protection, and is able to move products efficiently and cost-effectively. The Pacific Gateway Alliance consulted with trucking companies and sector associations in fall 2016, and provinces are now working to harmonize regulations and remove impediments to commercial trucking transportation within the region.

The current Drivers' Hours of Service Regulation, which regulates the accumulation of driver fatigue by limiting the number of hours a commercial driver can drive in accordance with the National Safety Code program in Alberta, will be expiring March 15, 2018. Transportation is considering options to harmonize requirements with federal requirements for hours of service (National Safety Code Standard 9), which may result in safer roads and fewer fatigue-related collisions. Alberta's current provincial regulation allows drivers to operate a regulated vehicle for more hours in a seven day period than the national standard. Harmonizing these regulations would also remove trade barriers, minimizing economic inequities and facilitating the New West Partnership Trade Agreement. Harmonizing these regulations also includes participating nationally with the Compliance and Regulatory Affairs Committee of the Canadian Council of Motor Transport Administrators to examine how Electronic Logging Devices (ELDs) should be regulated in Canada. An ELD is a device that automates tracking a driver's hours of service, reducing the risk of drivers reporting incorrect data. Alberta encourages voluntary use, but does not currently mandate ELDs. ELDs reduce impacts of fatigue and collisions of commercial vehicles and improve road safety for all travellers.

Transportation consulted with industry for feedback on proposed regulatory changes related to the Commercial Vehicle Certificate and Insurance Regulation, which regulates registered owners of commercial vehicles (freight truck and passenger transportation) in Alberta and expires March 15, 2018. The regulation incorporates the requirements of the National Safety Code program, supporting the safety of all highway users when commercial vehicles are on the road by requiring Safety Fitness Certificates, Operating Authority Certificates, safety fitness ratings, insurance requirements, carrier profiles, safety programs and record retention.

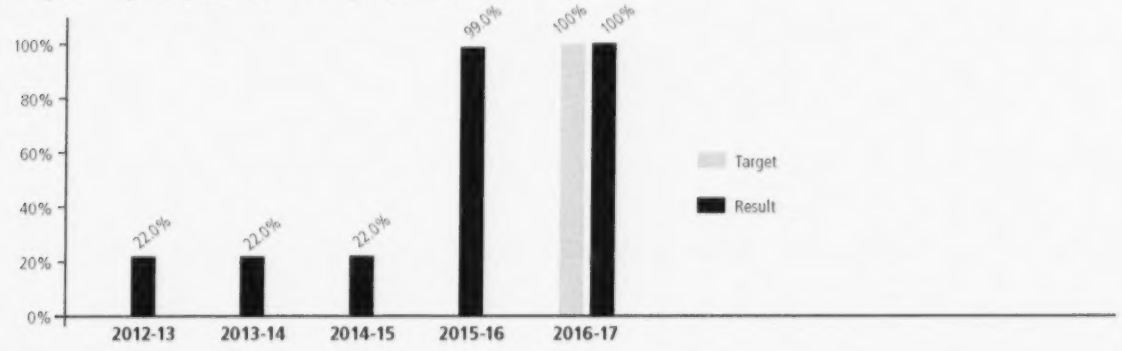
## **Measure 1.a** – *Highway 63 twinning between Grassland and Fort McMurray: Percentage of twinned highway kilometres open to travel*

**Description:** This measure is the percentage of Highway 63 between Grassland and Fort McMurray that is twinned and opened to travel. It consists of approximately 240 kilometres of highway.

**Rationale:** Highway 63 is an important corridor to Fort McMurray and the Municipality of Wood Buffalo. Complete twinning of Highway 63 between Grassland and Fort McMurray will improve safety and accommodate economic growth in northeastern Alberta. (see Methodology on pages 38 to 39)

**Results:** At the end of fiscal year 2016-17, 100 per cent of twinned highway was open to travel. In May 2016 the final three kilometres were completed to facilitate re-entry after wildfires.

Percentage of Highway 63 Four-Laning Open to Travel



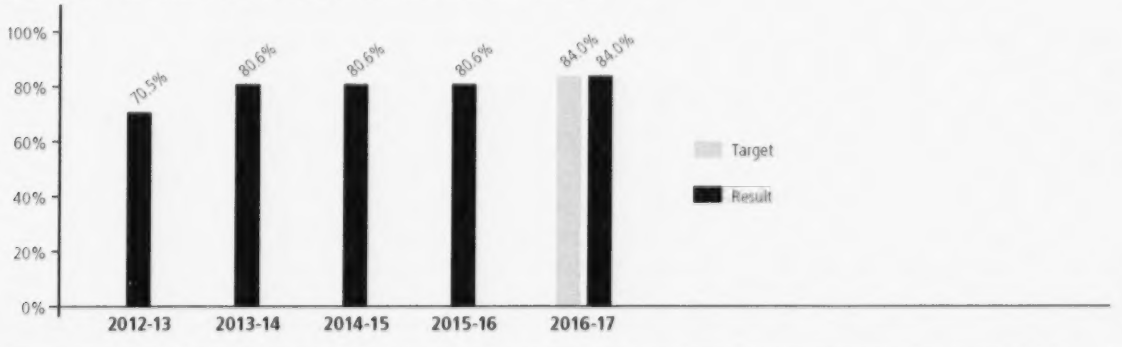

## **Measure 1.b** – *Ring roads in Edmonton and Calgary: Percentage of combined ring road kilometres open to travel*

**Description:** This measure indicates the percentage of ring roads in Edmonton and Calgary open to multi-lane travel. The total corridor length when completed is approximately 100 kilometres in Calgary and approximately 78 kilometres in Edmonton.

**Rationale:** The development of ring roads around the province's two major metropolitan areas is of paramount importance to the economic development of the province. Besides accommodating traffic growth in the Edmonton and Calgary regions, the ring roads enable the efficient movement of goods and people into, out of and around the two metropolitan areas, improving access from the cities to the rest of Alberta and vice versa (see Methodology on pages 38 to 39).

**Results:** At the end of fiscal year 2016-17, 84 per cent of combined ring road kilometres were open to travel.

Percentage of Combined Ring Road Kilometres Open to Travel



## *Outcome Two: A transportation system that is safe and secure, protecting Albertans and working toward zero deaths and serious injuries*

*The safe and secure movement of Albertans and goods across the transportation system is enhanced by education, innovative technologies, safety regulations and safer infrastructure, increasing Albertans' well-being and resulting in lower death and casualty rates. Eliminating high-risk vehicle operation and improving driver behaviors saves lives. The ministry is adopting Vision Zero in line with international best practice for road safety in implementing safety strategies to work toward zero deaths and serious injuries on Alberta's roads.*

### Key Strategy 2.1: Continue to implement transportation safety strategies to prevent transportation-related deaths and serious injuries, in striving to reach Vision Zero in Alberta

Transportation is following the internationally recognized road safety best practice, Safe System Approach, to reduce fatal and major injuries in traffic collisions. The safe system approach takes a holistic view of the transportation system and examines the interactions between all road users, vehicles, safe speeds and infrastructure. This approach is guiding the development and implementation of the ministry's traffic safety strategies as it works toward reducing traffic collisions and maintaining a safe and secure transportation system.

In 2016 the ministry developed educational and awareness activities available to the public to support the goal of having zero traffic fatalities and serious injuries. A new impaired driving campaign titled Spot the Difference was launched to educate Albertans that the consequences of drugged and drunk driving are the same. Online interactive advertisements invite users to spot the difference between drugs and alcohol. As well, the Office of Traffic Safety redesigned Saferoads.com, a website that communicates traffic safety information to the public, to accommodate search functionality, social media integration and mobile device use. The new website provides engagement for drivers susceptible to risky behaviours, as well as for more diverse audiences, by increasing social media integration and offering more persuasive, media-rich content, such as video.

The Alberta Traffic Safety Fund has been instrumental in enhancing community capacity by supporting traffic safety projects in communities across Alberta. In 2016-17, 49 community grant applications were approved, totalling more than $492,000. Funded projects are developed by community groups and organizations to address local safety priorities with the goal of building a traffic safety culture.

Transportation also continues to implement its community mobilization strategy, which supports community partners as they take a leadership role and shared responsibility in identifying local traffic safety priorities and developing solutions that make sense for their communities. Some examples include bicycle and pedestrian safety events and awareness campaigns, off-highway vehicle safety training, child safety seat information sessions and school presentations on impaired and distracted driving.

Transportation has also developed the Alberta Wildlife Watch (AWW) Program, which aims to reduce the number of animal-vehicle collisions in Alberta and their associated costs to society. It is estimated that animal-vehicle collisions cost Albertans $280 million each year. AWW is a comprehensive program that recognizes the need for highway network expansion while working to minimize impacts to wildlife. The AWW project, launched after a pilot project along Highway 63, involves Transportation's highway maintenance contractors using

a cell phone app to track both live animals and animal carcasses across Alberta highways. This information will help Transportation plan future highway network expansions to better protect drivers and wildlife along wildlife corridors. Budget 2017 includes funding for implementation of wildlife mitigation strategies. The development of animal-vehicle collision prevention policies and standards has begun, and will include a review of existing standards to ensure they continue to be relevant.

## Key Strategy 2.2: Continue to develop amendments to the Traffic Safety Act and regulations to align with best practice and enhance the safety of transportation users

Bill 16, the *Traffic Safety Amendment Act*, 2016, received royal assent May 27, 2016. This bill includes multiple amendments, most notably regarding transportation network companies (TNCs) and impaired driving. The bill enabled regulations to be made concerning the operation of TNCs, such as Uber and TappCar. The new regulations provide clear rules and guidelines for these companies to operate in Alberta, part of the work being done to provide a safer transportation system.

The bill also clarifies the rules for impaired drivers by:

- requiring all first-time impaired drivers with a blood alcohol content of less than 160 milligrams to participate in the Ignition Interlock Program;
- clarifying that a person charged with multiple impaired driving offences cannot shorten their licence suspension by appearing in court on all charges in a single day;
- clarifying that a person who has been convicted a first or second time of impaired driving causing bodily harm or death may serve a term participating in the Ignition Interlock Program for as long as five years; and
- authorizing peace officers to demand breath samples from drivers holding either a Learners' Permit or a Graduated Driver's License suspected of having consumed alcohol using an approved instrument or screening device.

Off highway vehicle (OHV) related injuries account for an average of 19 deaths, 767 hospital admissions and 5,844 emergency room visits every year in Alberta, costing Alberta's public health-care system approximately $50 million annually. Studies show that riders who do not wear helmets are at least two times more likely to sustain a major head injury and are more likely to die. Bill 36, An Act to Enhance Off-Highway Vehicle Safety, amended the *Traffic Safety Act* to require that helmets be worn by persons riding OHVs on public land. The Act and associated regulations changes came into force on May 15, 2017 and outline exemptions, helmet requirements, fines for offences and rules regarding the sale of helmets in relation to OHVs.

## Key Strategy 2.3: Work with law enforcement, other levels of government, emergency responders and other partners to enhance safety programs, incident response and emergency management systems

Transportation was significantly involved with law enforcement, all three orders of government, emergency responders, industry and other partners in supporting the response and recovery phases of the May 2016 Regional Municipality of Wood Buffalo wildfire. Considerable support was provided to the wildfire response, enabling the safe evacuation of almost 90,000 citizens by communicating road status to the public through 511, establishing emergency fueling stations and working to enable southbound convoys of citizens that were trapped north of the city by the fire. Transportation also designed traffic controls and established specialized permitting to work with industry to facilitate essential oil and gas sector activity. To support re-entry Transportation collaborated with partners to recover and return to owners more than 800 abandoned vehicles, remove fire-damaged vehicles, and provide enhanced traffic monitoring to support reception center readiness. Prior to, and during and following the wildfire, Transportation worked diligently to enhance its internal emergency management plans, processes and practices.

In partnership with the Government of British Columbia, the Government of Alberta engaged in an Emergency Management Exercise in late February 2017, which featured developing and participating in a British Columbia earthquake disaster scenario. New emergency management protocols with the British Columbia Ministry of Transportation and Infrastructure, Parks Canada and the Canadian Armed Forces are now in place. Issues of mutual strategic concern, such as highway operations coordination during winter storm events, are to be identified and prioritized, with recommendations provided to each organization to enhance emergency management for the transportation network.

The ministry also continued to work with law enforcement, other orders of government, emergency responders, and other partners to enhance safety programs, incident response and emergency management systems as it relates to transporting dangerous goods. Transportation supported 233 road incidents, nine rail incidents and 62 Check Stops; trained 22 municipal and provincial law enforcement officers as Dangerous Goods On-Highways Inspectors; and renewed 35 On-Highways Inspector designations.



## Key Strategy 2.4: Ensure the safe and secure transportation of dangerous goods through communities

Transportation is working with partners towards developing procedures that will ensure dangerous goods are safely and securely transported through communities. A new communication protocol will allow for the increased speed and efficiency of identifying, documenting and reporting High-Profile Incidents. Work is also ongoing to ensure that ministries and agencies responding to emergencies on behalf of the Government of Alberta receive consistent, accurate and timely notifications, allowing for a coordinated and efficient response to protect the safety of motorists, wildlife and the environment.

In 2016-17, Transportation helped ensure the safe and secure transportation of dangerous goods by: completing 731 facility inspections and 60 highway tank facility audits, and approving 33 active Dangerous Goods Bylaw routes. The ministry's Coordination and Information Centre received more than 25,000 calls in 2016-17; of these, 6,500 were for the Dangerous Goods and Rail Safety Unit, 12,500 for Environment and Parks, and 6,500 for the Energy Regulator. The ministry updated 30 information bulletins designed to educate industry on the safe transportation of dangerous goods.

## Key Strategy 2.5: Strengthen critical infrastructure to reduce the impacts of small and large emergency incidents

The ministry continues work on the Springbank Off-Stream Reservoir, a flood mitigation reservoir designed to protect Calgary and other communities downstream from the impacts of another devastating flood like that experienced in 2013. This reservoir provides temporary flood water storage during flooding events, reducing potential impacts to communities and important infrastructure. Results of public engagement will be considered during project planning and design and incorporated into the project's Environmental Impact Assessment. Transportation has also been working with the Aboriginal Consultation Office, part of the Alberta Ministry of Indigenous Relations, to develop and implement a thorough consultation process with relevant First Nations communities.

Transportation completed 15 flood mitigation projects in 2016 that help protect vulnerable highway infrastructure against future major rainfall events and keep people and products moving during inclement weather. Work consisted of riverbank armouring, rockfall protection, landslide risk reduction and erosion prevention projects. Landslide repair projects were also completed at many sites across the province. The ministry also initiated repair work at four major slide areas in and near the Town of

Peace River that required the construction of massive concrete walls. In addition, the ministry is undertaking flood mitigation projects, on behalf of Environment and Parks, to increase the resiliency of critical water management infrastructure against flooding.

The High Load Corridor (HLC) consists of designated provincial highways that accommodate higher loads, facilitating the safe movement of oversize/overweight commodities carried by vehicles. The HLC helps ensure the safety of the travelling public, minimizing delays and inconveniences experienced by highway users and damage sustained to highway infrastructure. The cost to operate and maintain this network of highways is subsidized by corridor users in the form of permit fees. In 2016-17, $1.6 million was collected through permit fees, offsetting the cost to operate and maintain the corridor. Permit fees go towards projects such as lifting or burying power lines, conducting functional planning studies and installing rotatable bases for traffic lights.

The ministry has also initiated a study to identify network deficiencies, recommend route changes and improvements, and include the development of standards to implement with future highway upgrades. As part of the study, a long- and short-term capital improvement plan for highway improvements will also be developed. The study is expected to be complete in summer 2017.

## Key Strategy 2.6: Promote and enhance the Traveller Information Portal (511 Alberta) to provide transportation users with reliable and timely travel condition information

511 Alberta was first launched in early 2013 and provides information about Alberta's highway network, which includes information on road conditions, road incidents, roadside camera images, construction/maintenance activities, traffic status, ferry crossings, border crossings, and RCMP/public updates to traffic, weather and visibility on provincial highways.

Transportation remains committed to enhancing 511 Alberta and has made the following improvements and innovative advancements in 2016-17:

- **Snowplow Tracker** – Transportation's 511 Alberta publicly launched its snowplow tracker site, that allows the public to track in real-time the location more than 600 active snowplows providing winter maintenance on Alberta highways.
- **Citizen Reporter** – The 511 Alberta Citizen Reporter program enlists volunteers to report on current road conditions along specific highway segments in Alberta. Since implementing Citizen Reporting in 2016, 1,032 users have registered to submit road condition reports. These users report current conditions where drivers are already travelling, assist in filling observation and highway condition reporting gaps, and provide accurate, enhanced, timely travel information for travellers on Alberta highways.
- **Road Weather Information Systems (RWIS)** – In the past year 511 Alberta expanded its camera network to 150 cameras, displaying 305 images on the 511 Alberta website. Of these 150 cameras, 112 are part of larger RWIS stations. The refresh rate for these images was originally every 20 minutes; however, in moving closer to meeting public expectation, 56 cameras are now updated every five minutes. The intention is to eventually bring all static images to one-minute refresh rates and to provide, where feasible, live video streaming for a significant number of cameras on the network.

As well, the ministry is working towards expanding the Law Enforcement Reporting Application, a sister application to the Citizen Reporter application that is designed to report incidents to 511 Alberta. This application will be used by approved law enforcement officers and first responders such as fire service and Emergency Medical Services to quickly disseminate information regarding highway incidents so that travellers can make informed decisions to avoid the area, thereby reducing potential traffic congestion and improving the safety of first responders at the scene of the incident. This application is nearing the end of the testing phase and will be moved to the live environment in summer 2017.

The 511 Alberta service is evolving into a robust traffic management system that focuses on planning, monitoring and controlling traffic patterns while informing the travelling public of the highway status

through enhanced communications platforms. This integrated system, which will support public sector applications, is highly responsive to end users' needs and is developing in response to public feedback and stakeholder/partner engagement; for example, in the future, 511 Alberta will have an improved user interface, likely with voice capability.

## Key Strategy 2.7: Investigate and implement appropriate innovative technologies and approaches that promote a safe and intelligent transportation system that improves information to support the safety and mobility of travellers for all modes of transportation



Intelligent Transportation Systems (ITS) are advanced and emerging technologies integrated into vehicles and road infrastructure to help improve traffic flow and traffic safety. These innovative systems collect a wide variety of detailed information, such as road and weather conditions and traffic speed, volume and delays, and interact with each other to improve the safety, efficiency and capacity of our highway network. Information collected by ITS is communicated to road users through a variety of channels, including 511 Alberta, to help drivers stay informed of road conditions, reduce travel time, and limit the number and severity of traffic collisions.

Transportation is deploying the latest ITS technologies to help mitigate recurring and non-recurring congestion incidents on provincial urban highways, and continues to operate and maintain 20 camera stations along Deerfoot Trail in Calgary and on the two ring roads in Calgary and Edmonton to monitor and detect traffic incidents. Using this technology, 511 Alberta can quickly determine when an incident occurs and alert the public, which enables travellers to make safer, more informed travel decisions when driving these areas. When travellers choose different routes as a result of this information, traffic congestion in the affected area can be significantly reduced.

In 2016-17, the ministry funded two notable year-long research projects at the University of Alberta's Centre for Smart Transportation. One research project focussed on congestion management techniques and included methods for assessing the potential effectiveness of introducing ITS based congestion management techniques.

The other research project examined the development of safety performance functions unique to Alberta and was aligned with the Transportation Safety Plan. Safety performance functions are developed as the latest statistical technique to identify high frequency collision locations in the highway network. Applications of this data include modelling Fort McMurray egress options and funding a research project for the University of Calgary to determine origins and destinations of commercial vehicles in Alberta. This research supports the Alberta Spatial Economic Travel Model, which assists Transportation in understanding and forecasting the efficient movement of products throughout Alberta.

Another innovative project is ACTIVE-AURORA Phase One, a three-year project intended to deploy a wide range of technologies which focus on wireless communications and Connected Vehicle (CV) systems to enhance road safety and help improve the fluidity and movement of people and products throughout the Asia-Pacific Gateway. The project includes two operational learning centres:

- Three ACTIVE (Alberta Cooperative Transportation infrastructure and Vehicular Environment) on-road test beds located in Edmonton; and
- One AURORA (Automotive test bed for Reconfigurable and Optimized Radio Access) test bed located in Vancouver.

ACTIVE-AURORA will provide opportunities for organizations to test and evaluate new and emerging CV systems, applications and services. Edmonton test beds became Canada's first and only operational CV test beds on September 15, 2016, and several high-profile national and international groups have attended demonstrations in Edmonton since. A number of organizations have already expressed interest in using ACTIVE-AURORA as a testing

ground, and planning for Phase Two of the project is currently underway.

Alberta's Smart Roadside Inspection System (SRIS) is an electronic management and enforcement system designed to automatically identify high-risk and problematic commercial vehicles from the roadside without interfering with the flow of traffic. In 2014, SRIS was successfully deployed at the Leduc vehicle inspection station, with partial installations in Coutts and Whitecourt. In the 2016-17 fiscal year a full SRIS was installed at the new Atmore vehicle inspection station located on Highway 63. The vehicle inspection station is expected to become operational in 2017-18.

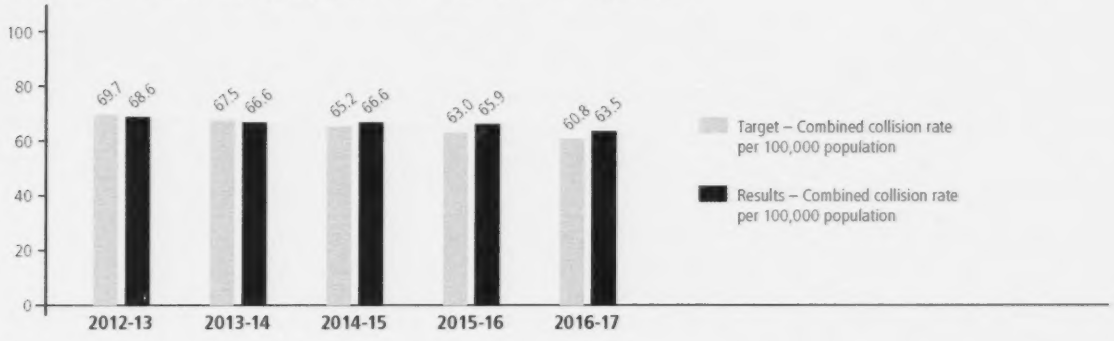
## **Measure 2.a** – *Combined fatal and major injury collision rate per 100,000 population*

**Description:** This measure describes the three-year rolling average number of the combined fatal and major injury collisions as a rate per 100,000 population.

**Rationale:** To continue efforts to reduce the number and severity of traffic collisions on Alberta's roads, the ministry monitors the combined fatal and major injury collision rate per 100,000 population (see Methodology on pages 38 to 39).

**Results:** The three-year average combined fatal and major injury collision rate per 100,000 population was 63.5, which is above the target of 60.8. This variance of 2.7 collisions per 100,000 population is largely due to many contributing factors that have the potential to impact achieving targets for this measure, including changing population demographics, levels of economic activity in the province, increases in the number of drivers and registered vehicles, as well as traffic volumes on provincial roads. Continued growth in Alberta also affects the outcomes, for example, traffic volumes for 2016 have increased by 8.35 per cent from 2012, as recorded by Alberta's 381 Automated Traffic Recorder sites throughout the province. Alberta's population as of July 1, 2016, as reported by Statistics Canada, was 4,252,879 (Statistics Canada Catalogue no. 91-215-X). Levels of enforcement, engineering initiatives, community mobilization, strategic communication and education initiatives, and the level of support for these strategic initiatives will affect this measure. Many traffic safety initiatives, such as reducing impaired driving or increasing occupant restraint use are about changing attitudes and behaviours and these types of changes can take several years, if not decades to achieve. When determining the targets longer-term goals are taken into consideration and targets follow those outlined in the Transportation Safety Plan (TSP). The TSP targeted a 15 per cent reduction in the three-year average fatal and major injury collision rate, which has been decreasing over time. The current target follows this same trajectory. The 2016-17 collision rate is based on the best information currently available and is preliminary and subject to change as more information becomes available.

Combined Fatal and Major Injury Collision Rate per 100,000 Population



## *Outcome Three: A transportation system that supports environmental stewardship and the quality of life for all communities*

*The ministry will support initiatives such as increased access to transit that promote environmental sustainability of the transportation system and support a high quality of life for Albertans by aiming to lower transportation costs for families, reduce greenhouse gases and contribute to protecting the environment.*

### Key Strategy 3.1: Develop and implement standards, design and planning of the transportation system that support environmental stewardship objectives and enhance the efficient use of resources, including investigation of energy efficient technologies on Alberta highways to reduce energy consumption and associated emissions

Transportation is supporting the transition to a lower carbon economy by participating in green infrastructure funding and supporting projects and programs that avoid or lead to measurable reductions in greenhouse gas (GHG) emissions. In addition to taking action on climate change, green infrastructure funding provides a long-term return on investment and leads to lower overall operational costs. Analysis is underway to assess options for green infrastructure funding applications for the upcoming year and additional proposals for green infrastructure projects will be put forward to the Alberta Climate Change Office for consideration as they are developed.

The ministry is researching where to focus GHG reduction and climate change adaptation efforts in the transportation sector. This work helps ensure our infrastructure and practices are adapting to the pressures of climate change. Actions and potential policy and program options will be determined based on Alberta's transportation emissions data, vehicle registration information, net gasoline and diesel fuel sales, air quality concerns and the growing demands on transportation infrastructure.

Transportation developed an Environmental Regulatory Tracking Application in 2016 and that is being implemented in 2017. This application will allow consultants and highway maintenance contractors to better manage the environmental regulatory component of their work. Administrative non-compliance situations are expected to be reduced as a result of an automated system that tracks and notifies staff of important regulatory deadlines, such as dates for submitting monitoring reports and permit expiration dates. A digital storage repository for important environmental documents, including reports and permits, is under development, and a mechanism to record important commitments to landowners and regulators pertaining to environmental considerations will also be established. It is anticipated that 100 per cent of all highway maintenance yards and relevant highway projects will be entered into the Environmental Regulatory Tracking Application by 2018.

Transportation is also taking environmental action by reducing the amount of salt used on roads during inclement weather. Road salt is used to lower the freezing temperature of water to melt snow and ice that is posing a danger to travellers on highways. Excessive salt can affect water quality when it seeps into streams, lakes or groundwater, harming plants and animals and affecting drinking water reserves. Between 2004 and 2016, the surface area of highways maintained by the ministry increased by 25 per cent, but average annual salt levels used on Alberta highways remained consistent at around 200,251 tonnes. The level was maintained largely

due to contractors using preventative treatment techniques along highways prior to winter storm events, and being more conscious of the amount of road salt they use, due to contract stipulations.

In addition, Transportation is committed to the continuous improvement of its standards to ensure environmental protection at locations where environmentally sensitive materials, such as salt, are stored. Transportation has an Environmental Management Plan which addresses salt handling practices at highway maintenance yards to ensure salt is handled in an environmentally responsible manner.

## Key Strategy 3.2: Investigate opportunities and partnerships to reduce greenhouse gases from transportation sources, including the development and promotion of public transit systems and administering grant funding programs to support municipal transportation

The provincial public transit strategy is in the final stages of development in alignment with the Climate Leadership Plan. This strategy will set the vision for public transportation in Alberta and outline actions to ensure there are safe, affordable, accessible and environmentally sustainable transportation options to travel in and between communities, to support a high quality of life for Albertans. The strategy also aligns with the *Municipal Government Act* Review and the establishment of City Charters by encouraging regional collaboration and service coordination. The City Charter proposals aim to promote collaborative work between the province and cities via cross-municipal working committees to address public transportation, among other topics.

In 2016-17 Transportation administered a final call for submissions for the Green Transit Incentives Program (GreenTRIP), a grant program which provides funding to municipalities and eligible transit commissions for capital transit projects that support new or expanded public transit systems. The administration of these environmentally sustainable projects reduces traffic congestion and the number of single-occupancy vehicles on the road, thereby helping to reduce greenhouse gas emissions and improve Albertans' quality of life.

The ministry is developing criteria that will form the basis of a new transit funding program, the Alberta Community Transit (ACT) Fund. The ACT Fund will create incentives for projects that improve regional collaboration and environmental outcomes. Transportation's Budget 2017 includes $305 million allocated to this fund over the next three years.

## Key Strategy 3.3: Identify transportation initiatives to advance energy efficiencies as a component of Alberta's Climate Leadership Plan

Transportation's climate change planning continues to advance, as the department works to confirm an approach that will best identify actions in support of the Government of Alberta's Climate Leadership Plan. The Climate Leadership Plan is a provincial strategy to reduce carbon emissions in Alberta while continuing to diversify the province's economy and create jobs. The ministry is assessing baseline data that will help identify action areas to pursue, while seeking energy efficiency, and lower greenhouse gas emissions.

Budget 2017 includes $35 million for the completion of a retrofit and conversion of all provincial highway lighting to Light Emitting Diode (LED) technology over the next three years. In addition, $1 million was used in 2016-17 to begin a complete retrofit of the provincial highway lighting system, which includes a $100,000 investment to develop an implementation plan to perform this conversion and a $900,000-investment to begin installing energy-saving bulbs near the interchange of Highway 2 and Anthony Henday Drive in Edmonton. This first phase of light installation was completed along Anthony Henday Drive on March 31, 2017, with approximately 600 lights being retrofitted. This project will enhance highway safety by reducing

lighting glare for motorists. LED lights also have a longer average lifespan and a much lower failure rate than the current high pressure sodium bulbs. The project will also help reduce greenhouse gas emissions and lower electricity consumption, reducing costs and saving money for Albertans.

This year, Transportation invested in a Truck Stop Electrification Study to support the reduction of greenhouse gas and air contaminant emissions by reducing commercial vehicle idling at rest stops. Stationary power sources or the use of auxiliary power units allow commercial truckers to shut their engines off and still keep cabins warm or cool overnight, running necessary systems such as air conditioners and heaters. As a result, greenhouse gas and other associated emissions released into the environment will be lower due to reduced commercial vehicle idling times.

The Government of Alberta also undertook a Zero-Emission Vehicle Impact Study which provides a comprehensive analysis of the zero-emission and electric vehicle market, the future of the market including technological trends, the roles of public and private investment, and the identification of possible implementation strategies and the quantification of possible greenhouse gas emissions reduction.

## Key Strategy 3.4: Work with partners to ensure all Albertans, including Indigenous communities, have reliable access to clean and safe drinking water and water/wastewater treatment systems and disposal facilities by providing funding, through the Alberta Municipal Water/Wastewater Partnership program and the Water for Life program

The Alberta government provides cost-shared funding for eligible projects in smaller urban and rural municipalities to help with the design and construction of municipal water supply and treatment, and wastewater treatment and disposal facilities. This funding improves access to safe, clean drinking water and reliable, environmentally sustainable water and wastewater treatment systems while creating jobs in Alberta communities.

In Budget 2016, $595 million was allocated over five years for water and wastewater infrastructure in small towns and rural Alberta, including $195 million from the Alberta Municipal Water/Wastewater Partnership (AMWWP) grant program funding. To-date the ministry has committed more than $99 million in AMWWP funding to support 44 water and wastewater improvement projects around the province. In addition, more than $18.6 million has been invested in 16 Water for Life (W4L) projects province-wide. W4L provides financial assistance for the construction of regional water and wastewater systems that involve multiple municipalities and, due to their collaborative nature, are more efficient and environmentally desirable than independent facilities. W4L funding is higher, 90 per cent for pipelines. The AMWWP provides funding for stand-alone, single facilities for individual municipalities. Provincial contributions for projects approved under this program are lower. Some of the highlights of projects funded by Transportation in 2016-17 as part of the AMWWP and W4L grant programs include:

| Location | Project Name | Provincial Grant Type and Contribution |
|---|---|---|
| Devon | Wastewater Treatment Plant Upgrade | AMWWP – $11 million |
| Consort | Wastewater Treatment Plant Upgrade | AMWWP – $6 million |
| Cold Lake | Water and Wastewater Upgrades | W4L – $6 million |
| Municipal District of Opportunity | Water and Wastewater Upgrades | AMWWP – $11 million |
| Crowsnest Pass | Wastewater Treatment Plant Upgrade | AMWWP – $7.8 million |
| Grande Prairie | Water and Wastewater System Upgrades (Hamlets of Bezanson, Valhalla, Teepee Creek, Laglace, Clairmont) | AMWWP – $10 million |

On September 1, 2016, the Government of Alberta signed an agreement with the Government of Canada to access up to $196.7 million in federal funding for Alberta water and wastewater projects through the federal Clean Water and Wastewater Fund (CWWF). This includes the following 17 water projects that will receive more than $132 million in federal CWWF funding and more than $106 million in provincial W4L funding:

| Location | Project Name | CWWF Federal Funding | Water for Life Provincial Funding |
|---|---|---|---|
| Alcomdale | Sturgeon County Water Line Alcomdale | $1.6 million | $1.4 million |
| Bashaw | Regional Water Pipeline – Mirror to Bashaw | $3.5 million | $3.3 million |
| Beaver Mines | Municipal District of Pincher Creek – Beaver Mines Regional Water Supply | $2.3 million | $2.0 million |
| Bonnyville | Cold Lake Regional Utility Services Commission Regional Water Supply System Extension | $32.4 million | $21.7 million |
| Fawcett | Westlock Regional Water Services Commission – Phase 3 – Westlock to Fawcett Water Transmission Line | $3.2 million | $2.8 million |
| Foremost | County of Forty Mile/Foremost Manyberries Regional Pipeline | $3.1 million | $2.6 million |
| Kitscoty | County of Vermilion River – Stage 4 Regional Waterline Lloydminster to Kitscoty | $9.5 million | $8.5 million |
| Lacombe | North Red Deer Regional Wastewater Commission – Wastewater Transmission Line – Lacombe/Blackfalds to Red Deer | $29.9 million | $23.9 million |
| Mallaig | Mallaig Regional Water Supply | $4.8 million | $4.7 million |
| Ma-Me-O Beach | County of Wetaskiwin – Pigeon Lake Regional Wastewater System – Phase 2 | $3.5 million | $3.0 million |
| Marwayne | County of Vermilion River – Stage 5 Regional Waterline Kitscoty to Marwayne | $4.9 million | $4.2 million |
| Nampa | Regional Water Phase 3 – Stage 2 – St. Isidore to Nampa | $3.5 million | $3.0 million |
| Onoway | West Inter-Lake District Regional Water Commission Regional Waterline Phase 2 to Onoway and Gunn | $6.9 million | $6.0 million |
| Rockyford | Village of Rockyford – Wheatland Regional – Phase 2 – WTP Upgrade/Waterline to Rockyford | $9.0 million | $8.4 million |
| St Michael | Lamont County Regional Water Supply – St Michael | $3.4 million | $2.9 million |
| Taber | Industrial Wastewater Lagoon Upgrade | $1.9 million | — |
| Wembley | West Corridor Water Transmission Line Phase 1 – Wembley | $9.0 million | $8.1 million |

Budget 2017 invests $100 million over four years ($25 million each year) for water projects that provide Indigenous communities in Alberta with access to regional drinking water systems. This funding is part of the Government of Alberta's support for the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). The Government of Alberta will work with First Nations, the Government of Canada and water commissions to identify and support opportunities for First Nations to access regional water systems. Eligible projects will be funded based on community need, location of regional water systems in proximity to First Nation communities, and federal investment in corresponding infrastructure on reserve. By increasing First Nations access to regional water systems, the Government of Alberta will help ensure that First Nations communities in Alberta have reliable access to clean and safe drinking water.

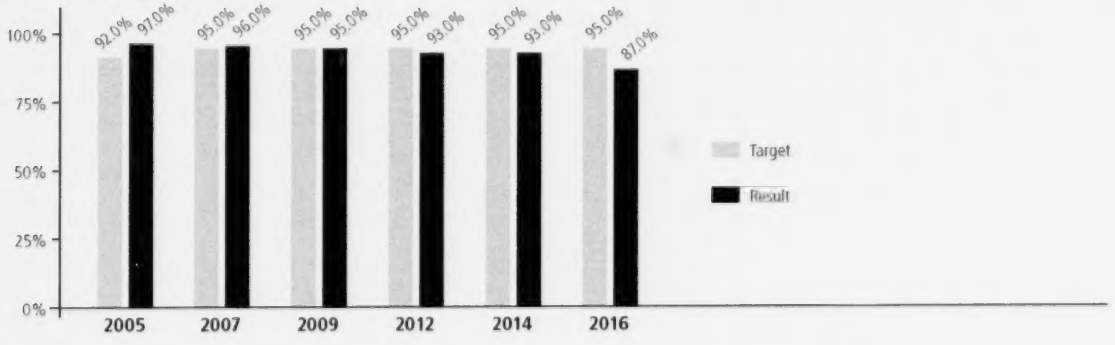
## **Measure 3.a** – *Percentage of municipal clients satisfied with overall quality of service (biennial survey)*

**Description:** This measure represents the percentage of municipal partners satisfied with the overall quality of services provided by the ministry in the administration of grant programs. Respondents rate their satisfaction on a scale of 1 to 6 (1 being very unsatisfied and 6 being very satisfied). Results include all those clients who indicated they were "somewhat satisfied", "satisfied", or "very satisfied". The survey is administered every two years to allow the ministry sufficient time to develop and implement strategies that address survey findings.

**Rationale:** The ministry is committed to service excellence and strives to develop an environment where partners consistently experience positive outcomes when interacting with the ministry. Results of the survey allow the ministry to continually improve its services to municipalities (see Methodology on pages 38 to 39).

**Results:** In 2016, 87 percent of municipal clients were satisfied with the overall quality of service, which is eight per cent lower than the target of 95 per cent and a six per cent drop from 2014. On average, the results are accurate within plus or minus 5.4 per cent, 19 times out of 20. The client satisfaction rate has historically remained high (from 97 to 93 per cent). The variance of 8.0 per cent in client satisfaction is likely influenced by a number of potential contributing factors. Government restored the Strategic Transportation Infrastructure Program after undertaking consultation with municipal partners. This process impacted the timing of funding availability. New federal grant programs were also introduced in 2016, including Public Transit Infrastructure Fund (PTIF) and Clean Water and Wastewater Fund (CWWF). Alberta's municipal grant program criteria were developed to align with federal criteria, helping to create better value for Albertans. Developing these new agreements has been a complex process requiring ongoing coordination with the federal government and municipalities. An adjustment period has been required to adapt to new grants and criteria changes.

Municipal Client Satisfaction




***Note:*** *The survey is completed every two years, with the exception of a three-year gap between 2009 and 2012.*

## *Outcome Four: Long-term sustainability and affordability of Alberta's transportation system*

*The provincial transportation network is a vital asset that enhances economic prosperity and social connection in the province. It is essential to balance preservation of existing transportation infrastructure, while supporting the strategic development of new infrastructure. Strategic decision-making in operating, maintaining and upgrading essential highway network capacity extends its useful life and reduces long-term costs, helping to ensure optimal use and long-term sustainability of the province's transportation assets.*

### Strategy 4.1: Create and implement a transparent infrastructure plan with municipalities, other governments and industry, and examine the long-term sustainability of the network

The department is supporting an increasingly multi-modal provincial transportation network to address future innovations, environmental issues, fiscal challenges and economic opportunities. This will include an asset management implementation plan that will help build the support structure and identify the tools needed to strategically determine how our infrastructure assets are best enhanced and maintained as we work towards achieving a sustainable system.

Land use planning continues to strengthen the coordination of planning between municipalities, government departments and Transportation's land use policies and programs. As part of the Land Use Framework, Transportation assists in the development of regional plans and works with municipalities to approve developments that may impact the provincial highway system. The Lower Athabasca and South Saskatchewan Regional Plans have been completed and work is currently underway on the North Saskatchewan Regional Plan, which will be completed in 2017. The Lower Peace Regional Plan is expected to be completed by 2018 and all other outstanding regional plans are expected to be complete by 2025.

The Government of Alberta introduced the *Modernized Municipal Government Act* (MGA) in the Legislature to propose the final round of amendments in fall 2016 and invited feedback from Albertans. The feedback was used to further inform the amendments to the MGA, which received Royal Assent on June 7, 2017. The MGA provides the legal framework to guide municipal operations, in particular in the areas of governance and administration, assessment and taxation, and planning and development. Transportation recommended the MGA be amended to enable municipalities to collect levies for provincial highway improvements that are needed as a result of development, and that municipalities provide the department with area structure plans for review. Amending the MGA will help ensure the safety and operation of the highway network is maintained through the funds collected for the construction of needed improvements. The amendments will also improve the planning and development process, facilitating cooperation and coordination between municipalities and the province, by ensuring impacts on highway infrastructure from land development decisions are mitigated.

## Key Strategy 4.2: Enhance transportation asset management planning to support strategic decision-making, taking into account life-cycle costs, economic, environmental and social impacts

Transportation is currently developing a plan to better manage the highway network and balance competing needs to meet department goals. This involves operating, maintaining, upgrading and expanding the province's transportation and infrastructure systems such as roads, bridges and traffic signs while considering environmental impact, economic development and social inclusion.

Transportation submitted projects to be included on the Government of Alberta's list of unfunded capital projects, an addition to the Budget 2016 Capital Plan. This is a list of projects that met criteria and fit within the three pillars of the Capital Plan: providing key social programs and services that Albertans rely on; encouraging economic development in communities, and protecting the environment. Some of these projects will receive funding for planning as part the Budget 2017 Capital Plan, and others meeting the criteria will be included in future capital plans, should funding be available. Transportation is developing a Spatial Economic and Travel Model to determine the impact of capital projects on stimulating the province's economy. This model will provide additional information to help prioritize projects.

## Key Strategy 4.3: Partner with the federal government to fund transportation infrastructure needs

In September 2016, the Government of Alberta signed a bilateral agreement with the Government of Canada that will make more than $1.08 billion in federal funding over 10 years available for Alberta under the Public Transit Infrastructure Fund (PTIF), which provides investments in communities' public transit systems, and the Clean Water and Wastewater Fund (CWWF), which provides communities with more reliable water and wastewater systems so that both drinking water and wastewater management meets legislated standards.

The Government of Canada is providing Alberta with more than $347 million under the first phase of PTIF, and will fund up to 50 per cent of the eligible project costs.

As of December 2016, the Government of Canada had committed $345.3 million for 101 public transit projects in Alberta's major urban and rural communities through PTIF. The Government of Alberta committed more than $185.6 million towards these same projects and $156.5 million for 37 other Alberta transit projects not receiving federal funding. In all, Alberta provided more than $342.2 million in funding for 138 new public transit projects in 27 communities across Alberta. Municipalities are contributing $243.5 million for these projects.

During the 2016-17 fiscal year, Transportation put forward business cases for 12 bundles of projects for funding under the federal Provincial-Territorial Infrastructure Component, National/Regional Projects. Projects chosen for consideration were selected from the existing Capital Plan and included pavement rehabilitation, bridge/culvert renewal, bridge construction, and intersection and safety improvements. The 12 project bundles altogether include a total of 101 individual projects.

| Project Municipality | Project Description | Government of Canada Funding | Government of Alberta Funding |
|---|---|---|---|
| Calgary Transit | Green Line LRT Corridor | $111 million | $55.5 million |
| Fort McMurray Transit | Design and construction of bus bay turnouts and shelters in Fort McMurray, providing a safe location for passengers to board and disembark | $3.45 million | $6.55 million |
| Red Deer Transit | Bus stop accessibility upgrades, replacement of transit buses, system wide intelligent transit enhancements phase 2 | $6.58 million | $6.58 million |
| Lethbridge Transit | Terminal and Regional Park-n-Ride | $2.03 million | $2.03 million |
| Strathcona County Transit | Replacement of buses achieving 100 per cent accessibility for this municipality's fleet | $1.6 million | $1.0 million |
| Medicine Hat Transit | Facility rehabilitation and upgrades, intelligent transit technology upgrades and hardware, including upgrades for para transit services, accessible bus stop upgrades, review of conventional and para transit service delivery models, and replacement of conventional and para transit buses | $2.08 million | $2.08 million |



## Key Strategy 4.4: Implement approaches to ensure highway operations and maintenance achieve the results Albertans need

Transportation invested $361.5 million in ongoing maintenance and preservation of the highway network in 2016-17. The ministry is reviewing existing contracts and will strive to address Albertans' concerns with respect to service level, aiming to provide more sustainable and economical care of the province's highway assets. Of the five maintenance contracts expiring in 2017, four have signed two-year extensions, and a fifth has been offered a five-year extension, with negotiations ongoing. Contracts for two studies have been awarded; these six month studies include a cost-benefit analysis to review available contract and delivery options for conducting highway maintenance operations and a Contract Maintenance Area optimization analysis which would review the effectiveness of Transportation's administrative boundaries and factors impacting the participation of small and mid-sized businesses in the department's maintenance program.

Current maintenance contracts are based on original contracts generated 20 years ago; since then industry has become the experts and Transportation is committed to developing contracts that reflect this and leverage this expertise. The ministry will also be looking at including more performance-based activities in maintenance contracts, ensuring the best value for services and for Albertans.

## Key Strategy 4.5: Investigate and implement innovative technology, standards and approaches to reduce costs and promote long-term affordability of the transportation system

In 2012, Transportation began surveying and collecting Light Detection Ranging (LiDAR) point cloud data at multiple highways across the province and has developed a rich data source within the enterprise database. LiDAR data is collected via a laser that reflects light beams off objects. The process involves mounting scanning equipment onto a vehicle that will travel along highways capturing a full 360-degree image of the road.

Unlike traditional surveying of roads, LiDAR produces accurate images of roads while travelling at highway speed, causing minimal disruption to road traffic. This data is deemed to have significant potential value by expanding its use into business areas related to asset management, safety assessment, traffic operation and road maintenance. This data could significantly improve the efficiency of highway data collection by reducing the time spent during field visits. Automation through the use of LiDAR can potentially identify highway features and road measurements more efficiently and safely than current manual procedures. The Centre for Smart Transportation at the University of Alberta has completed several proof-of-concept projects. Transportation is currently analyzing the cost-benefit-risk of data collection projects for decision-making.

## Key Strategy 4.6: Continue expansion of the automated permitting Transportation Routing and Vehicle Information Multi-Jurisdictional system across municipalities throughout Alberta, ensuring overweight and overdimensional load fees contribute to highway maintenance

The Transportation Routing and Vehicle Information System (TRAVIS) was first implemented in 2001 to address industry's need for a simplified, one-stop-shop commercial vehicle permitting system. In 2014, the province introduced TRAVIS, a web-based program that has the ability to accept a single electronic permit application and apply the rules and approvals of the province and all affected municipalities to create a single permit document. TRAVIS was designed to provide municipalities with the ability to easily approve or deny permits issued by the province for travel on roads under their authority, and facilitate the sharing of permit revenue between the province and the municipalities.

As of March 2017, 277 of 349 Alberta municipalities are using TRAVIS, leaving only 72 municipalities that have not yet joined. Transportation is working to achieve full participation by municipalities and full support from industry on the benefits of a one-stop application process for permits. A committee comprised of representatives from Transportation and municipalities has been tasked with addressing concerns from non-participants, as well as identifying deficiencies in the system.

Commercial vehicle permits generated $26.6 million worth of revenue, which includes revenues related to the municipal portion of the total permit fee and the municipal fixed permit fees. Of this, $2.5 million will be paid out to municipalities participating in TRAVIS.

Since its implementation, TRAVIS has been a valuable tool for sharing the costs of highway maintenance among Albertans who use the road and therefore is an important initiative contributing to the long-term affordability of Alberta's transportation system.

## **Measure 4.a** – *Physical condition of provincial highway surfaces*

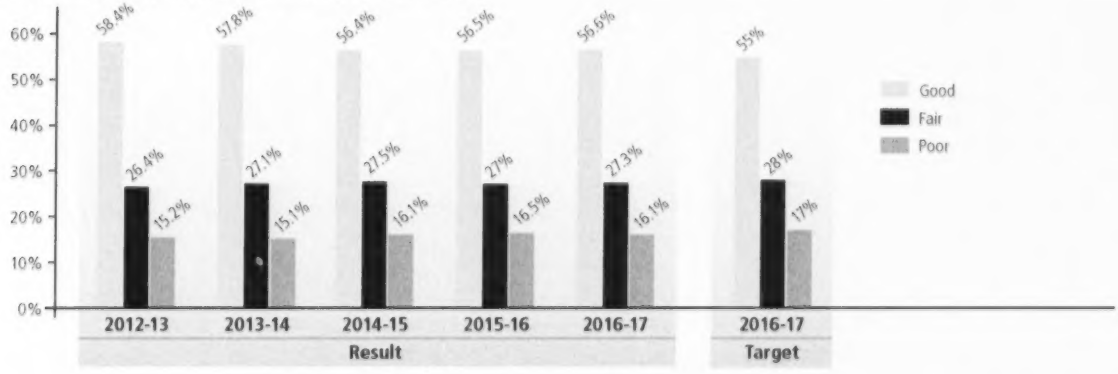
**Description:** This measure defines the percentage of the paved highway network that is in good, fair or poor condition. The International Roughness Index (IRI) is used to measure the roughness of roads and is used as a sole measurement to categorize overall physical condition. The segments in poor and fair condition are those that require attention now or in the future.

**Rationale:** This measure is used to assess the quality of the paved highway network, in support of efficient movement of commuter, business, personal and commercial traffic. The preservation of pavement quality through regular rehabilitation reduces the total life-cycle cost of the highway system, improving return on investment for Albertans (see Methodology on pages 38 to 39).

**Results:** In 2016-17, 56.6 per cent of the paved highways were in good condition compared to the target of 55.0 per cent; 27.3 per cent of the paved highways were in fair condition compared to the target of 28.0 per cent; and 16.1 per cent of the paved highways were in poor condition compared to the target of 17.0 per cent. The amount of poor highway in 2016-17 has improved slightly from the 2015-16 result. An increase of $106 million (total number of rehabilitation/overlay kilometres is approximately 1,240 kilometres), from $276.3 million in 2015-16 to $382.3 million in 2016-17 in capital rehabilitation, has arrested the worsening condition trend. In conjunction with maintenance and preservation investment in the network, innovative approaches in highway maintenance such as pavement patching have improved highway surface condition and prolonged the life of pavement. The government recognizes that the provincial highway system is critical to the economic prosperity and social growth of the province. Therefore, the government will continue to invest in highway repaving and innovative solutions to maintain the percentage of highways in good and fair condition under increased traffic flows.

The ministry continues its forward looking direction to find best utilization of capital and operating maintenance activities to extend the use of highway rehabilitation investment to other capital improvements such as climbing passing lanes and rest areas to support safety measures and highway grade widening that enhance freight movement to support economic development.

Physical Condition of Provincial Highway Surfaces



# PERFORMANCE MEASURE METHODOLOGY

## **Measure 1.a** – *Highway 63 twinning between Grassland and Fort McMurray: Percentage of twinned highway kilometres open to travel*

The measure is based on completed construction projects and highway network data. The percentage is calculated by totaling the number of kilometres twinned and open to travel versus the total kilometres on Highway 63 between Grassland and Fort McMurray (approximately 240 kilometres).

## **Measure 1.b** – *Ring roads in Edmonton and Calgary: Percentage of combined ring road kilometres open to travel*

The measure is based on construction project data supplied by the engineering consultants supervising the ring road construction. The percentage is calculated by totalling the number of kilometres of multi-lane roadway opened to travel versus the total kilometres of ring road (approximately 178 kilometres). The length of Calgary and Edmonton Ring Roads is estimated based on information from planning studies. When each highway is constructed and open to travel, the completion length is calculated using As-Built data. This could cause a small variation between the target and the result.

## **Measure 2.a** – *Combined fatal and major injury collision rate per 100,000 population*

Data for this measure was taken from the ministry's eCollision Analytics system. The results for the measure are based on a calendar year. Collisions include those that result in the death of a person within 30 days of the collision or in a major injury (persons with injuries or complaint of pain that went to the hospital and were subsequently admitted even if for observation only) to at least one person involved in the collision. Data is compiled from collision reports completed by the attending law enforcement officer where the collision resulted in death or major injury to at least one person. The final collision rate reported is based on a rolling three-year average. The following calculation is used to determine the individual collision rate for each year: *Number of Combined Fatal and Major Injury Collisions* / Population × 100,000. Rates are then averaged to represent a rolling three-year average using the following calculation:

$$\frac{\begin{array}{c}(\text{Year One Rate per 100,000 Population} + \\ \text{Year Two Rate per} \\ \text{100,000 Population} + \\ \text{Year Three Rate per 100,000 Population})\end{array}}{3}$$

## **Measure 3.a** – *Percentage of municipal clients satisfied with overall quality of service (biennial survey)*

Transportation's aim is to conduct the client satisfaction survey every second year to measure the satisfaction of municipal partners with the ministry's service for municipal grant programs.

An external consultant is contracted to conduct the survey to ensure the objectivity of results. Municipal clients are defined as organizations that have interacted with ministry staff regarding municipal grant programs during the survey calendar year, primarily from municipalities and towns.

Respondents are asked to rate on a scale of 1 to 6 (1 being very unsatisfied to 6 being very satisfied) their satisfaction with Municipal Grant Programs on the following eight key service areas:

- Clarity of written materials
- Timeliness of service delivery
- Ease of access to information
- Proficiency of staff
- Ease of access to services
- Courtesy of staff
- Consistency of services
- Overall quality of services

Results reported include all those clients who indicated they were '4 – somewhat satisfied,' '5 – satisfied,' and '6 – very satisfied' with the service provided.

In 2016, there were a total of 168 surveys completed and returned for a response rate of 49.27 per cent.

Data analysis includes cross-tabulation of quantitative data, whereby the frequency and percentage distribution of the results for each question were broken down based on client location and client sector. It also included coding of open-ended questions.

On average, the results are accurate within plus or minus 5.4 per cent, 19 times out of 20.

## **Measure 4.a** – *Physical condition of provincial highway surfaces*

An external consultant is contracted to conduct the collection of data to ensure the objectivity of results.

The identification of highways as *good, fair or poor* relies on criteria established as a result of the University of Calgary's comprehensive research study on road conditions and other performance measures conducted for the ministry in 2002.

The study's recommendations resulted in the establishment of condition threshold values. Condition threshold values are defined as the boundary between categories of *good-fair* and *fair-poor*, and are set using a proactive life cycle analysis approach. The values are categorized by highway classification and are compiled into one-kilometre segments.

### Alberta Transportation Standards

| Condition | 110km/h Highway Group | Other Highway Group |
|---|---|---|
| Good | Average IRI <1.5m/km | Average IRI <1.5m/km |
| Fair | ≥1.5m/km Average IRI <1.9m/km | ≥1.5m/km Average IRI <2.1m/km |
| Poor | ≥1.9m/km Average IRI | ≥2.1m/km Average IRI |

These threshold values are the same threshold values identified in the 2002 report. This is for consistency reason in gauging the condition trend over time.

After existing *good, fair, poor* segments are identified, anticipated work activities and pavement deterioration rates are used to determine future performance targets.

The IRI for all highways is obtained through data collected annually by an external consultant for the ministry.

The consultant calculates the average IRI value over every 50-metre segment of the Alberta highway network. This detailed data is further averaged over one-kilometre sections to provide an assessment of condition over practical lengths.

# FINANCIAL INFORMATION

Financial Statements for the year ended March 31, 2017

# Ministry of Transportation
# Consolidated Financial Statements

**For the year ended March 31, 2017**


**44** Independent Auditor's Report

**45** Consolidated Statement of Operations

**46** Consolidated Statement of Financial Position

**47** Consolidated Statement of Change in Net Debt

**48** Consolidated Statement of Cash Flows

**49** Notes to the Consolidated Financial Statements

**69** Schedule 1 – Consolidated Revenues

**70** Schedule 2 – Consolidated Expenses – Directly Incurred Detailed by Object

**71** Schedule 3 – Consolidated Related Party Transactions

**72** Schedule 4 – Consolidated Allocated Costs

## Independent Auditor's Report

To the Members of the Legislative Assembly

**Report on the Consolidated Financial Statements**

I have audited the accompanying consolidated financial statements of the Ministry of Transportation which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Transportation as at March 31, 2017 and the results of its operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

May 31, 2017

Edmonton, Alberta

**MINISTRY OF TRANSPORTATION**
**CONSOLIDATED STATEMENT OF OPERATIONS**
**Year ended March 31, 2017**

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| | | *(in thousands)* | |
| **Revenues (Schedule 1)** | | | |
| Government Transfers - Federal Grants (Note 5) | $ 24,585 | $ 42,654 | $ 23,089 |
| Premiums, Fees and Licences | 33,900 | 29,582 | 28,714 |
| Other Revenue | 29,375 | 22,777 | 38,913 |
| | 87,860 | 95,013 | 90,716 |
| **Expenses - Directly Incurred (Note 2(b) and Schedules 2 and 4)** | | | |
| **Program** | | | |
| Ministry Support Services | 31,723 | 32,035 | 31,586 |
| Program Services and Support | 28,320 | 27,561 | 28,562 |
| Traffic Safety Services | 35,878 | 32,428 | 32,434 |
| Alberta Transportation Safety Board | 2,360 | 1,669 | 1,681 |
| Provincial Highway Maintenance and Preservation | 956,839 | 948,943 | 903,958 |
| Capital for Emergent Projects Grant Programs | - | - | 100 |
| Municipal Transportation Grant Programs | 125,000 | 91,050 | 220,476 |
| Municipal Water Infrastructure Grant Programs | 130,000 | 151,641 | 61,564 |
| Federal Grant Program | - | 18,486 | - |
| 2013 Alberta Flooding: Non Disaster Recovery Program | - | 744 | 2,500 |
| Debt Servicing | 82,527 | 82,527 | 70,741 |
| | 1,392,647 | 1,387,084 | 1,353,602 |
| **Annual Deficit** | $ (1,304,787) | $ (1,292,071) | $ (1,262,886) |

The accompanying notes and schedules are part of these financial statements.

**MINISTRY OF TRANSPORTATION**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**As at March 31, 2017**

| | 2017 | 2016 |
|---|---|---|
| | *(in thousands)* | |
| **Financial Assets** | | |
| Cash | $ 318 | $ 460 |
| Accounts Receivable and Advances (Note 3) | 62,141 | 49,675 |
| | 62,459 | 50,135 |
| **Liabilities** | | |
| Accounts Payable and Accrued Liabilities | 151,252 | 214,852 |
| Holdbacks Payable | 38,926 | 54,429 |
| Liabilities under Public Private Partnerships (Note 6) | 2,126,196 | 2,080,178 |
| Liabilities for Contaminated Sites (Note 7) | 3,454 | 3,561 |
| | 2,319,828 | 2,353,020 |
| **Net Debt** | (2,257,369) | (2,302,885) |
| **Non-Financial Assets** | | |
| Tangible Assets Held for Transfer (Note 8) | 196,035 | 187,571 |
| Tangible Capital Assets (Note 9) | 18,794,088 | 18,315,636 |
| Inventories of Supplies | 14,095 | 17,292 |
| | 19,004,218 | 18,520,499 |
| **Net Assets Before Spent Deferred Capital Contributions** | 16,746,849 | 16,217,613 |
| Spent Deferred Capital Contributions (Note 4) | 1,150,247 | 1,126,877 |
| **Net Assets** | $ 15,596,602 | $ 15,090,736 |
| **Net Assets at Beginning of Year** | $ 15,090,736 | $ 14,055,340 |
| Adjustments to Net Assets (Note 15) | (16,142) | 30,027 |
| Annual Deficit | (1,292,071) | (1,262,886) |
| Net Financing Provided from General Revenues | 1,814,079 | 2,268,255 |
| **Net Assets at End of Year** | $ 15,596,602 | $ 15,090,736 |

Contractual obligations and contingent liabilities (Notes 10 and 11)

The accompanying notes and schedules are part of these financial statements.

**MINISTRY OF TRANSPORTATION**
**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**
**Year ended March 31, 2017**

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| | | *(in thousands)* | |
| **Annual Deficit** | $ (1,304,787) | $ (1,292,071) | $ (1,262,886) |
| Acquisition of Tangible Capital Assets | (1,269,804) | (933,442) | (1,488,722) |
| Amortization of Tangible Capital Assets (Note 9) | 513,514 | 516,166 | 473,916 |
| (Gain) Loss on Sale of Tangible Capital Assets | | 3 | (1,670) |
| Write-down of Tangible Capital Asset Accruals | | 2,563 | 992 |
| Proceeds on Sale of Tangible Capital Assets | | 4 | 1,711 |
| Donated and Contributed Tangible Capital Assets | (20,800) | (5,385) | (29,364) |
| Additions to Public Private Partnerships (Note 6) | (145,340) | (82,968) | (143,423) |
| Acquisition of Supplies of Inventories | (50,000) | (40,773) | (44,043) |
| Consumptions of Supplies of Inventories | 50,000 | 43,970 | 43,139 |
| Change in Spent Deferred Capital Contribution (Note 4) | | 23,370 | 26,197 |
| Net Financing Provided From General Revenue | | 1,814,079 | 2,268,255 |
| **(Increase) Decrease in (Net Debt)** | | 45,516 | (155,897) |
| **(Net Debt), Beginning of Year** | | (2,302,885) | (2,146,988) |
| **(Net Debt), End of Year** | | $ (2,257,369) | $ (2,302,885) |

The accompanying notes and schedules are part of these financial statements.

**MINISTRY OF TRANSPORTATION**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**Year ended March 31, 2017**

| | 2017 | 2016 |
|---|---|---|
| | *(in thousands)* | |
| **Operating Transactions** | | |
| Annual Deficit | $ (1,292,071) | $ (1,262,886) |
| Non-cash items included in Net Operating Results: | | |
| Amortization of Capital Assets (Note 9) | 516,166 | 473,916 |
| (Gain) Loss on Disposal of Tangible Capital Assets | 3 | (1,670) |
| Deferred Contributions recognized as Revenue (Note 4) | (29,962) | (28,072) |
| Donated and Contributed Tangible Capital Assets | (5,385) | (29,364) |
| Valuation Adjustments | (124) | 156 |
| | (811,373) | (847,920) |
| (Increase) Decrease in Accounts Receivable and Advances | (12,466) | 17,470 |
| (Increase) Decrease in Inventories of Supplies | 3,197 | (904) |
| Increase (Decrease) in Accounts Payable and Accrued Liabilities | (61,020) | 33,116 |
| Increase (Decrease) in Holdbacks Payable | (15,503) | (9,102) |
| Cash Applied to Operating Transactions | (897,165) | (807,340) |
| **Capital Transactions** | | |
| Acquisition of Tangible Capital Assets | (933,442) | (1,488,722) |
| Proceeds from Disposal/Sale of Tangible Capital Assets | 4 | 1,711 |
| Cash Applied to Capital Transactions | (933,438) | (1,487,011) |
| **Financing Transactions** | | |
| Repayment of Obligations under Public Private Partnerships | (36,950) | (28,124) |
| Contribution Restricted for Capital (Note 4) | 53,332 | 54,269 |
| Net Financing Provided from General Revenues | 1,814,079 | 2,268,255 |
| Cash Provided by Financing Transactions | 1,830,461 | 2,294,400 |
| **Increase (Decrease) in Cash** | (142) | 50 |
| **Cash, Beginning of Year** | 460 | 410 |
| **Cash, End of Year** | $ 318 | $ 460 |

The accompanying notes and schedules are part of these financial statements.

**MINISTRY OF TRANSPORTATION**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**MARCH 31, 2017**

## NOTE 1 AUTHORITY AND PURPOSE

The Ministry of Transportation (the ministry) operates under the authority of the *Government Organization Act*, and its regulations and has been designated responsibilities for various Acts.

The ministry consists of the Department of Transportation and the Alberta Transportation Safety Board. The Department of Transportation:

- leads the development of a safe, innovative and sustainable integrated multi-modal (road-rail-air-port-active-public transit) transportation system for Alberta;
- leads the planning, construction, operation and preservation of our provincial highway network to connect Alberta's communities, and supports a sustainable and diversified economy encouraging social growth for the province;
- develops and implements the Alberta Transportation Safety Plan and operates the Office of Traffic Safety to reduce collisions and promote safer road users, vehicles, and infrastructure;
- manages grant programs to help municipalities develop and preserve their transportation systems and other priority infrastructure for Albertans;
- designs, constructs and maintains Alberta's water management infrastructure on behalf of Alberta Environment and Parks;
- promotes Alberta's interests in a safe, secure, innovative and sustainable transportation system at all levels of government, and in national and international trade agreements and regulatory harmonization initiatives; and
- supports the development of public transit systems in municipalities and across regions to provide Albertans with increased transportation options.

The Alberta Transportation Safety Board:

- is established under Part 2 of the *Traffic Safety Act*;
- conducts driver review hearings and independent appeals of drivers and commercial entities affected by decisions of the Registrar of Motor Vehicle Services (Transportation);
- conducts hearings under the *Railway (Alberta) Act*; and
- conducts all hearings in a fair and timely manner in accordance with the principles of natural justice.

All decisions of the Alberta Transportation Safety Board are made independently in accordance with governing legislation: the *Traffic Safety Act* and the *Railway (Alberta) Act*.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards.

### (a) Reporting Entity and Method of Consolidation

The reporting entity is the Ministry of Transportation for which the Minister of Transportation is accountable. The accounts of the Department of Transportation and the Alberta Transportation Safety Board are consolidated on a line-by-line basis with the accounting policies described below.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

### (a) Reporting Entity and Method of Consolidation (continued)

The accounts of government sector entities, except those designated as government business enterprises, are consolidated using the line-by-line method. Under this method, accounting policies of the consolidated entities are adjusted to conform to government accounting policies and the results of each line item in their financial statements (revenue, expense, assets and liabilities) are included in government's results.

Revenue and expense, capital, investing and financing transactions, and related asset and liability balances between the consolidated entities have been eliminated.

### (b) Basis of Financial Reporting

**Revenues**

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recognized as deferred revenue.

Government Transfers
Transfers from all governments are referred to as government transfers.

Government transfers are recognized as deferred revenue (deferred capital contributions and unearned revenue) if the terms of the transfer, or the stipulations together with the ministry's actions and communications as to the use of transfers create a liability. These transfers are recognized as revenues as the stipulations are met and, when applicable, the ministry complies with its communicated uses of these transfers.

All other government transfers, without stipulations for the user of the transfer, are recognized as revenue when the transfer is authorized and the ministry meets the eligibility criteria (if any).

Capital Contributions and Donations
Restricted capital contributions or donations are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired or constructed tangible capital assets.

Donations are received from individuals, corporations, and private sector not-for-profit organizations. In kind donations of services and materials are recognized at fair value when such value can reasonably be determined.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

### (b) Basis of Financial Reporting (continued)

**Expenses**

Directly Incurred
Directly incurred expenses are those costs the ministry has primary responsibility and accountability for.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets;
- pension costs, which comprise the cost of employer contributions for current service of employees during the year;
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities; and
- government transfers which are transfers of money to an individual, an organization or another government for which the ministry does not receive any goods or services directly in return. The major types of transfers and corresponding recognition criteria are as follows:
  - grants are recognized as expenses when authorized, eligibility criteria, if any are met and a reasonable estimate of the amounts can be made;
  - entitlements, which are non-discretionary because the amounts and recipients are prescribed, are recognized when eligibility occurs; and
  - transfers under shared cost agreements, which are reimbursements of eligible expenditures, are recognized when the expenditures occur.

Incurred by Others
Services contributed by other related entities in support of the ministry's operations are not recognized and are allocated to programs to show the full cost in Schedule 5.

**Valuation of Financial Assets and Liabilities**

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, advances, accounts payable, accrued liabilities, and holdbacks are estimated to approximate their carrying values because of the short term nature of these instruments.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

### (b) Basis of Financial Reporting (continued)

**Financial Assets**

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets are the ministry's financial claims on external organizations and individuals.

Cash
Cash consists of cash on hand and cash in transit.

Accounts Receivable
Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

**Liabilities**

Liabilities are present obligations of the ministry to external organizations and individuals arising from past transactions or events occurring before the year end. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Liabilities also include:

- all financial claims payable by the ministry at the year end;
- accrued employee vacation entitlements; and
- contingent liabilities where future liabilities are likely.

Public Private Partnership (P3)
A public private partnership (P3) is defined as a cooperative venture based on contractual obligations between one or more public/private/not-for-profit partners that meet clearly defined public needs for the provision of goods or services.

The ministry accounts for P3 projects in accordance with the substance of the underlying agreements. Agreements that transfer substantially all the risks and rewards of ownership of the assets are classified as capital leases and are accounted for as follows:

- the capital asset is recognized at the total of progress payments made during construction and net present value of the future payments, discounted using the Government of Alberta's estimated borrowing rate for long term debt at the time of signing the P3 agreement;
- the liability is recognized at the net present value of the future payments, discounted using the Government of Alberta's borrowing rate for long term debt at the time of signing the P3 agreement;

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

### (b) Basis of Financial Reporting (continued)

**Liabilities (continued)**

Public Private Partnership (P3) (continued)

- during construction, the capital asset (classified as work-in-progress) and the corresponding liability are recognized based on the estimated percentage complete; and
- amortization on a straight-line basis over the estimated useful life commences when the asset is in service.

Liability for Contaminated Sites

Contaminated sites are a result of contamination of a chemical, organic or live organism that exceeds an environmental standard, being introduced into soil or groundwater. The liability is recognized net of any expected recoveries. A liability for remediation of contaminated sites normally results from operation(s) that is no longer in productive use and is recognized when all of the following criteria are met:

i. an environmental standard exists;
ii. contamination exceeds the environmental standard;
iii. the ministry is directly responsible or accepts responsibility;
iv. it is expected that future economic benefits will be given up; and
v. a reasonable estimate of the amount can be made.

**Non Financial Assets**

Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

a. are normally employed to deliver government services;
b. may be consumed in the normal course of operations; and
c. are not for sale in the normal course of operations.

Non-financial assets of the ministry are limited to tangible capital assets and inventories of supplies.

Tangible Capital Assets

Assets acquired by right are not included. Tangible capital assets of the ministry are recognized at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Contributed tangible capital assets are recognized at their fair value at the time of contribution.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

### (b) Basis of Financial Reporting (continued)

**Non Financial Assets (continued)**

Tangible Capital Assets (continued)

Amortization is only charged if the tangible capital asset is in use.

When physical assets (tangible capital assets and inventories) are gifted or sold for a nominal sum, the net book value of these physical assets less any nominal proceeds are recognized as grants in kind.

Disposal of capital assets for nominal sum, often referred to as nominal sum disposal grants, are reported at the net book value of the asset.

Inventories of Supplies
Inventories consist of consumables (i.e. salt, sand and gravel) for the delivery of highway transportation programs and are valued at lower of cost or replacement cost.

### (c) 2013 Alberta Flooding

*(in thousands)*

The full recovery from the June 2013 flood in southern Alberta will take a number of years. The Province's flood recovery initiatives, through its Disaster Recovery Program (DRP), provide financial assistance to impacted individuals, small businesses, municipalities, and government departments for uninsurable loss and damage. The DRP is administered and funded by the Alberta Emergency Management Agency of the Ministry of Municipal Affairs through the authority of the *Disaster Recovery Regulation*.

The Ministry of Municipal Affairs reports the DRP expenses and the related revenues from the federal government. No DRP expenses are reported by the Ministry of Transportation.

The Province's flood recovery initiatives include non-disaster recovery programs (non-DRP). Costs associated with non-disaster recovery programs are recognized as they are incurred. These costs are net of recoveries from insurance and other third parties.

| | 2017 | 2016 |
|---|---|---|
| Expenses – 2013 Alberta Flooding | | |
| • Non Disaster Recovery Program Expense | $ 744 | $ 2,500 |
| | $ 744 | $ 2,500 |

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

### (d) Fort McMurray Land Exchange

The Fort McMurray land exchange is valued at the fair value of the assets exchanged.

The Province has entered into an agreement with the Regional Municipality of Wood Buffalo under which the Province will transfer land assets to the region in exchange for the region providing highway improvements and other services to the Province. The Ministry of Infrastructure holds the land that is exchanged under the agreement. The Ministry of Transportation receives the highway improvements to provincial highways and supports the highway improvements within the Regional Municipality of Wood Buffalo. While the transaction is governed under one agreement, each of the ministries of Infrastructure and Transportation recognize their respective portions of the agreement.

No transactions were recognized by the ministries in 2016-17.

### (e) Future Accounting Changes

The Public Sector Accounting Board has issued the following accounting standards:

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**
  PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

- **PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)**
  PS 3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosure standards on contingent assets; PS 3380 defines and establishes disclosure standards on contractual rights.

- **PS 3430 Restructuring Transactions (effective April 1, 2018)**
  This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

### (e) Future Accounting Changes (continued)

- **PS 3450 Financial Instruments (effective April 1, 2019)**
  The ministry has not yet adopted this standard and has the option of adopting it in the fiscal year 2019-20 or earlier. Adoption of this standard requires corresponding adoption of: PS 2601 Foreign Currency Translation; PS 1201 Financial Statement Presentation; and PS 3041 Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in a foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments.

Management is currently assessing the impact of these standards on the financial statements.

## NOTE 3 ACCOUNTS RECEIVABLE AND ADVANCES

*(in thousands)*

Accounts receivable and advances are $62,139 (2016 - $49,671) and $2 (2016 - $4) respectively. The details of accounts receivable are as follows:

| | 2017 | | | 2016 |
|---|---|---|---|---|
| | Gross Amount | Allowance for Doubtful Accounts | Net Realizable Value | Net Realizable Value |
| Transfers from Government of Canada (Note 5) | $ 30,347 | $ - | $ 30,347 | $ 28,304 |
| Contributions | 7,079 | - | 7,079 | 2,288 |
| Rental and Other | 7,304 | - | 7,304 | 1,897 |
| Fees, Permits and Licenses | 2,471 | 50 | 2,421 | 2,108 |
| Cost Recoveries | 14,988 | - | 14,988 | 15,074 |
| | $ 62,189 | $ 50 | $ 62,139 | $ 49,671 |
| 2016 Total | $ 49,690 | $ 19 | | |

Accounts receivable are unsecured and non-interest bearing.

## NOTE 4 DEFERRED REVENUE

*(in thousands)*

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Federal Government | Other | Total | Federal Government | Other | Total |
| Unearned revenue (i) | $ - | $ - | $ - | $ - | $ - | $ - |
| Unspent deferred capital contributions (ii) | - | - | - | - | - | - |
| Spent deferred capital contributions (iii) | 871,753 | 278,494 | 1,150,247 | 862,201 | 264,675 | 1,126,876 |
| | $ 871,753 | $ 278,494 | $ 1,150,247 | $ 862,201 | $ 264,675 | $ 1,126,876 |
| (i) Unearned revenue | | | | | | |
| Balance, beginning of year | $ - | $ - | $ - | $ - | $ - | $ - |
| Received/receivable during year | - | - | - | - | - | - |
| Less amounts recognized as revenue | - | - | - | - | - | - |
| Balance, end of year | $ - | $ - | $ - | $ - | $ - | $ - |
| (ii) Unspent deferred capital contribution | | | | | | |
| Balance, beginning of year | $ - | $ - | $ - | $ - | $ - | $ - |
| Contributions received/receivable during year | 33,668 | 19,664 | 53,332 | 23,698 | 30,571 | 54,269 |
| Transferred to spent deferred capital contributions | (33,668) | (19,664) | (53,332) | (23,698) | (30,571) | (54,269) |
| Balance, end of year | $ - | $ - | $ - | $ - | $ - | $ - |
| (iii) Spent deferred capital contributions | | | | | | |
| Balance, beginning of year | $ 862,202 | $ 264,675 | $ 1,126,877 | $ 861,539 | $ 239,140 | $ 1,100,679 |
| Transferred capital assets received/receivable | - | - | - | - | - | - |
| Transferred from unspent deferred capital contributions | 33,668 | 19,664 | 53,332 | 23,698 | 30,571 | 54,269 |
| Less amounts recognized as revenue | (24,117) | (5,845) | (29,962) | (23,036) | (5,036) | (28,072) |
| Balance, end of year | $ 871,753 | $ 278,494 | $ 1,150,247 | $ 862,201 | $ 264,675 | $ 1,126,876 |

## NOTE 5 GOVERNMENT TRANSFERS – FEDERAL GRANTS

*(in thousands)*

The ministry receives support for infrastructure from the Government of Canada through various federal programs. The full cost of provincial projects will be capitalized and amortized over the useful life of the infrastructure. The summary of each federal initiative is as follows:

### Operating Federal Grants

Public Transit Infrastructure Fund

In 2016 the Federal Government announced the Public Transit Infrastructure Fund. This funding will be provided to municipalities via the Ministry of Transportation to support the rehabilitation of transit systems, new capital projects, and planning and studies for future transit expansion to foster long-term transit plans.

## NOTE 5 GOVERNMENT TRANSFERS – FEDERAL GRANTS (continued)

*(in thousands)*

### Operating Federal Grants (continued)

Clean Water and Wastewater Fund
The Clean Water and Wastewater Fund was announced by the federal government in 2016. This funding will be provided to municipalities via the Ministry of Transportation for projects that contribute to various water treatment and distribution infrastructure.

### Capital Federal Grants

Canada Strategic Infrastructure Fund
The Canada Strategic Infrastructure Fund is a program whereby the Federal Government contributes funding to large scale infrastructure projects across the country. In 2014-15, there was one project that the ministry is receiving funding for under CSIF – Highway 63 twinning of approximately 100 kilometers of road to Fort McMurray (up to $150,000 over seven years beginning in 2009-10).

Building Canada Fund - Base Fund
The Building Canada Fund Provincial Base Fund is a program whereby the Federal Government contributes funding to the provinces to repair bridges, local roads and secondary highways from 2009 to 2014.

Building Canada Fund – Major Infrastructure Component
In 2008-09, the Federal Government announced the Building Canada Fund. The Major Infrastructure Component focuses on large, strategic projects of national and regional priority. This program requires a matching provincial contribution.

Infrastructure Stimulus Fund
In 2009-10, the Federal Government established the Infrastructure Stimulus Fund to focus on rehabilitation work needed to maintain the safety and extend the useful life of existing infrastructure while stimulating economic growth in the short term. Funding was only available for projects that were substantially complete by October 31, 2011. This program required matching contribution from the province and municipalities.

Asia-Pacific Gateway and Corridor Transportation Infrastructure Fund
In 2012-13, The Federal Government established the Asia Pacific Gateway and Corridor Transportation Infrastructure Fund to jointly fund the Highway 2 and 41 Avenue SW Intermodal Access Project up to a maximum of $75,000 ending in 2016-17.

P3 Canada Fund
The P3 Canada Fund is a program whereby the Federal Government contributes funding to large scale infrastructure projects across the country. In 2016-17, there was one project that the department was receiving funding for – Anthony Henday North East Edmonton Ring Road.

## NOTE 5 GOVERNMENT TRANSFERS – FEDERAL GRANTS (continued)

*(in thousands)*

Revenue, Deferred Revenue and Accounts Receivable recognized under Government Transfers – Federal Grants are as follows:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Revenue | Deferred Revenue | Receivable | Revenue | Deferred Revenue | Receivable |
| **Operating Federal Grants:** | | | | | | |
| Public Transit Infrastructure Fund | $ 13,486 | $ - | $ 13,486 | $ - | $ - | $ - |
| Clean Water and Wastewater Fund | 5,000 | - | 5,000 | - | - | - |
| Other | 50 | - | 50 | 53 | - | 53 |
| **Total Operating Federal Grants** | **18,536** | **-** | **18,536** | **53** | **-** | **53** |
| **Capital Federal Grants:** | | | | | | |
| Canada Strategic Infrastructure Fund | $ 5,995 | $ 261,889 | $ - | $ 5,995 | $ 267,384 | $ - |
| Provincial Base Fund | 7,397 | 106,704 | 11,811 | 7,397 | 114,100 | 11,811 |
| Building Canada Fund: Major Infrastructure Component | 4,673 | 213,769 | - | 4,673 | 218,442 | - |
| Infrastructure Stimulus Fund | 4,221 | 183,805 | - | 4,221 | 188,026 | 69 |
| Asia Pacific Gateway and Corridor Transportation Infrastructure Fund | 1,500 | 72,750 | - | 750 | 74,250 | 16,371 |
| P3 Canada Fund | 332 | 32,836 | - | - | - | - |
| **Total Capital Federal Grants** | **24,118** | **871,753** | **11,811** | **23,036** | **862,202** | **28,251** |
| **Total** | **$ 42,654** | **$ 871,753** | **$ 30,347** | **$ 23,089** | **$ 862,202** | **$ 28,304** |

## NOTE 6 LIABILITIES UNDER PUBLIC PRIVATE PARTNERSHIPS

*(in thousands)*

The ministry has entered into contracts for the design, finance, build and maintenance of the following projects as public private partnerships: Anthony Henday - South East, North West and North East Edmonton Ring Road, and Stoney Trail - North East and South East Calgary Ring Road and South West Calgary Ring Road.

The details of the 35 year contract for the project that is under construction is as follows:

| Project | Contractor | Date contract entered into | Scheduled completion date | Date capital payments begin[(a)] |
|---|---|---|---|---|
| South West Calgary Ring Road | Mountain View General Partners General Partnership (a consortium of companies) | September 2016 | October 2021 | October 2020 |

(a) Capital payments begin on the date specified or upon completion of the first of two segments of the project, whichever is later.

The details of the contracts for those projects already operational are as follows:

| Project | Contractor | Date contract entered into | Completion date | Date capital payments began |
|---|---|---|---|---|
| Anthony Henday - South East Edmonton Ring Road | Access Roads Edmonton Ltd. (a consortium of companies) | January 2005 | October 2007 | November 2007 |
| Stoney Trail - North East Calgary Ring Road | Stoney Trail Group (a consortium of companies) | February 2007 | October 2009 | November 2009 |
| Anthony Henday - North West Edmonton Ring Road | NORTHWESTCONNECT GENERAL PARTNERSHIP (a consortium of companies) | July 2008 | October 2011 | November 2011 |
| Stoney Trail - South East Calgary Ring Road | CHINOOK ROADS PARTNERSHIP (a consortium of companies) | March 2010 | November 2013 | November 2013 |
| Anthony Henday – North East Edmonton Ring Road | CAPITAL CITY LINK GENERAL PARTNERSHIP (a consortium of companies) | May 2012 | September 2016 | October 2016 |

## NOTE 6 LIABILITIES UNDER PUBLIC PRIVATE PARTNERSHIPS (continued)

*(in thousands)*

The calculation of the liabilities under public private partnerships is as follows:

| | 2017 | 2016 |
|---|---|---|
| Liabilities, beginning of year | $ 2,080,178 | $ 1,964,879 |
| Additions to liabilities during the year | 82,968 | 143,423 |
| Principal payments | (36,950) | (28,124) |
| Liabilities, end of year | $ 2,126,196 | $ 2,080,178 |

Estimated payment requirements for each of the next five years and thereafter are as follows:

| | |
|---|---|
| 2017-18 | $ 140,088 |
| 2018-19 | 140,088 |
| 2019-20 | 140,088 |
| 2020-21 | 140,169 |
| 2021-22 | 140,292 |
| Thereafter | 2,869,674 |
| | 3,570,399 |
| Less amount representing interest | (1,444,203) |
| Total NPV of capital payments at scheduled completion date | $ 2,126,196 |

## NOTE 7 LIABILITY FOR CONTAMINATED SITES

*(in thousands)*

The composition of liabilities is as follows:

| | 2017 | 2016 |
|---|---|---|
| Liabilities, Beginning of Year | $ 3,561 | $ 3,405 |
| Additions to Liabilities during the Year | 329 | 137 |
| Change in Estimate Related to Existing Sites | (436) | 19 |
| Remediation Work Performed | - | - |
| Liabilities, End of Year | $ 3,454 | $ 3,561 |

The recognized amount is based on management's estimates and historical costs to remediate or reclaim sites as well as expected expenditures on future reclamation activity.

The ministry has compiled a list of all potential sites and reviews the list at least annually. The site remediation and reclamation liability is recognized when the sites are no longer in operation and where remediation is legally enforceable.

## NOTE 8 TANGIBLE ASSETS HELD FOR TRANSFER

*(in thousands)*

Dams and water management structures are constructed by the ministry and transferred to the Ministry of Environment and Parks upon their completion. The Ministry of Transportation does not amortize these assets.

| | 2017 Historical Cost | | | |
|---|---|---|---|---|
| | Beginning of Year | Additions | Transfers, Adjustments, and Write-downs | End of Year |
| Dams and water management structures | $ 187,571 | $ 8,464 | $ - | $ 196,035 |
| 2016 Total | $ 183,983 | $ 10,111 | $ (6,523) | $ 187,571 |

## NOTE 9 TANGIBLE CAPITAL ASSETS

*(in thousands)*

The cost of assets and the related accumulated amortization for the ministry are summarized below.

| | 2017 Historical Cost [1] | | | | |
|---|---|---|---|---|---|
| | Estimated Useful Life | Beginning of Year | Additions | Disposals, Adjustments, and Write-downs | End of Year |
| Land | Indefinite | $ 869,243 | $ 37,859 | $ (16,173) | $ 890,929 |
| Buildings | 40 years | 56,261 | - | - | 56,261 |
| Equipment | 5-40 years | 9,409 | 369 | - | 9,778 |
| Computer hardware and software | 3-10 years | 140,390 | 4,805 | (1) | 145,194 |
| Provincial highways and roads [2] | 20-50 years | 21,358,082 | 907,550 | - | 22,265,632 |
| Bridges | 50-75 years | 2,184,282 | 60,185 | 24 | 2,244,491 |
| | | $ 24,617,667 | $ 1,010,768 | $ (16,150) | $ 25,612,285 |
| 2016 Total | | $ 22,930,507 | $ 1,651,398 | $ 35,762 | $ 24,617,667 |

| | 2017 Accumulated Amortization | | | | Net Book Value | |
|---|---|---|---|---|---|---|
| | Beginning of Year | Amortization Expense | Effect of Disposals | End of Year | March 31, 2017 | March 31, 2016 |
| Land | $ - | $ - | $ - | $ - | $ 890,929 | $ 869,243 |
| Buildings | 27,901 | 1,768 | - | 29,669 | 26,592 | 28,360 |
| Equipment | 4,999 | 350 | - | 5,349 | 4,429 | 4,410 |
| Computer hardware and software | 124,808 | 4,624 | - | 129,432 | 15,762 | 15,582 |
| Provincial highways and roads [2] | 5,545,092 | 462,015 | - | 6,007,107 | 16,258,525 | 15,812,990 |
| Bridges | 599,231 | 47,409 | - | 646,640 | 1,597,851 | 1,585,051 |
| | $ 6,302,031 | $ 516,166 | $ - | $ 6,818,197 | $ 18,794,088 | $ 18,315,636 |
| 2016 Total | $ 5,827,871 | $ 473,916 | $ 244 | $ 6,302,031 | | |

## NOTE 9 TANGIBLE CAPITAL ASSETS (continued)

*(in thousands)*

(1) Included in the cost of land, buildings, equipment, computer hardware and software, provincial highways and roads, and bridges is work in progress amounting to $980,552 (2016 - $2,415,389).

(2) Highways include original pavement and repaving overlays that represent improvements, roadbed, drainage works, and traffic control devices. Includes $2,298,328 historical cost (2016 - $2,215,360) and $199,134 accumulated amortization (2016 - $160,825) in alternatively financed capital assets. The additions to work in progress related to new highway construction under Public Private Partnerships (P3) is $184,225 (2016 - $318,774) See Note 6 for further details.

## NOTE 10 CONTRACTUAL OBLIGATIONS

*(in thousands)*

Contractual obligations are obligations of the ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

| | 2017 | 2016 |
|---|---|---|
| Capital Investment | | |
| Construction Contracts and Service Agreements | $ 854,147 | $ 909,113 |
| Expense | | |
| Maintenance Contracts and Service Agreements | 654,139 | 604,985 |
| Grants | 1,696,933 | 813,628 |
| Obligations under Public Private Partnerships | | |
| Operation and Maintenance Payments | 3,785,318 | 3,230,413 |
| Progress Payments | 720,253 | 95,814 |
| Capital Payments | 620,033 | 78,366 |
| | $ 8,330,823 | $ 5,732,319 |

## NOTE 10 CONTRACTUAL OBLIGATIONS (continued)

*(in thousands)*

Estimated payment requirements for each of the next five years and thereafter as follows:

| | Capital Payments | Expense | |
|---|---|---|---|
| | Construction Contracts and Service Agreements | Maintenance Contracts and Service Agreements | Grants |
| 2017-18 | $ 681,973 | $ 220,825 | $ 1,290,101 |
| 2018-19 | 109,028 | 171,910 | 298,418 |
| 2019-20 | 48,465 | 99,468 | 104,558 |
| 2020-21 | 8,583 | 64,987 | 1,928 |
| 2021-22 | 3,031 | 51,592 | 1,928 |
| Thereafter | 3,067 | 45,357 | - |
| | $ 854,147 | $ 654,139 | $ 1,696,933 |

| | Obligations Under Public Private Partnerships | | |
|---|---|---|---|
| | Operation, Maintenance and Rehabilitation Payments | Progress Payments | Capital Payments |
| 2017-18 | $ 70,837 | $ 141,456 | $ - |
| 2018-19 | 77,230 | 176,499 | - |
| 2019-20 | 73,193 | 189,099 | - |
| 2020-21 | 80,152 | 175,899 | 10,660 |
| 2021-22 | 100,772 | 37,300 | 27,055 |
| Thereafter | 3,383,134 | - | 967,334 |
| | $ 3,785,318 | $ 720,253 | $ 1,005,049 |
| Less amount representing interest | | | (385,016) |
| Total NPV of capital payments at scheduled completion date | | | $ 620,033 |

## NOTE 11 CONTINGENT LIABILITIES

*(in thousands)*

The ministry is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate. As at March 31, 2017 accruals totaling $34,338 (2016 - $31,772) have been recognized as a liability. The total amount claimed for all likely claims is $200,107 (2016 - $205,431). Included in the total likely claims are claims in which the ministry has been jointly named with other ministries. The accrual provided for these claims represents the ministry's portion of the liability. Included in the total likely claims are claims covered in whole or in part by the Alberta Risk Management Fund. The resulting additional liability, if any, from likely claims in excess of the amounts accrued is not determinable.

The ministry has been named in ninety-nine (2016 – one hundred and seven) claims of which the outcome is not determinable. Of these claims, ninety (2016 – nine-seven) have specified amounts totaling $6,139,663 (2016 – $5,653,710). The remaining nine (2016 – ten) claims have no amounts specified. Included in the total claims are thirty-six claims totaling $31,527 (2016 – forty-two claims totaling $58,384) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

## NOTE 12 TRUST FUNDS UNDER ADMINISTRATION

*(in thousands)*

The ministry administers trust funds that are regulated funds consisting of public money over which the legislature has no power of appropriation. Because the province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the ministry's financial statements.

At March 31, 2017 trust funds under the administration were as follows:

| | 2017 | 2016 |
|---|---|---|
| Impaired Driving Initiatives Trust Fund | $ 688 | $ 654 |

The Impaired Driving Initiatives Trust Fund holds fines from individuals convicted of impaired driving. Trust funds are used for education programs.

## NOTE 13 PAYMENTS UNDER AGREEMENT

*(in thousands)*

The ministry has entered into agreements to deliver programs and services that are partly funded by the Government of Canada, the Kananaskis Improvement District and private companies. Costs incurred under these agreements are made by the ministry under authority in Section 25 of the *Financial Administration Act*.

Amounts paid and payable under agreements with program sponsors are as follows:

| | 2017 | 2016 |
|---|---|---|
| Japan Canada Oil Sands Limited (program sponsor) Roadway construction | $ 459 | $ 5,340 |
| Kananaskis Improvement District (program sponsor) Roadway maintenance | 73 | 73 |
| | $ 532 | $ 5,413 |

## NOTE 14 BENEFIT PLANS

*(in thousands)*

The ministry participates in the multi-employer pension plans: Management Employee Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense of these pension plans is equivalent to the annual contributions of $9,752 for the year ended March 31, 2017 (2016 - $10,047). Ministries are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2016, the Management Employees Pension Plan reported a surplus of $402,033 (2015 - surplus $299,051) and the Public Service Pension Plan reported a surplus of $302,975 (2015 - deficiency $133,188) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $50,020 (2015 - deficiency $16,305).

The ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2017, the Bargaining Unit Plan reported a surplus of $101,515 (2016 – surplus $83,006) and the Management, Opted Out and Excluded Plan a surplus of $31,439 (2016– surplus $29,246). The expense for these two plans is limited to the employer's annual contributions for the year.

## NOTE 15 ADJUSTMENTS TO NET ASSETS

The reconciliation of adjustments to net assets is as follows:

| | 2017 | 2016 |
|---|---|---|
| Non-grant transfer of tangible capital assets from/(to) other ministries | $ (16,142) | $ 30,027 |

## NOTE 16 COMPARATIVE FIGURES

Certain 2016 figures have been reclassified to conform to the 2017 presentation.

## NOTE 17 APPROVAL OF FINANCIAL STATEMENTS

The deputy minister and senior financial officer approved these consolidated financial statements.

**MINISTRY OF TRANSPORTATION** **Schedule 1**
**SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS**
**CONSOLIDATED REVENUES**
**Year ended March 31, 2017**

| | 2017 | | 2016 |
|---|---|---|---|
| | Budget | Actual | Actual |
| | | *(in thousands)* | |
| Government Transfers - Federal Grants | | | |
| Building Canada - Base Component | $ 7,397 | $ 7,397 | $ 7,397 |
| Building Canada - Major Infrastructure Component | 4,673 | 4,673 | 4,673 |
| Canadian Strategic Infrastructure Fund | 6,000 | 5,995 | 5,995 |
| Infrastructure Stimulus Fund | 4,221 | 4,221 | 4,221 |
| Asia Pacific Gateway | 1,500 | 1,500 | 750 |
| Public Transit Infrastructure Fund | - | 13,486 | - |
| Clean Water Wastewater Fund | - | 5,000 | - |
| P3 Canada Fund | - | 332 | - |
| Other | 794 | 50 | 53 |
| | 24,585 | 42,654 | 23,089 |
| Premiums, Fees and Licenses | | | |
| Motor Transport Services & Other Premiums | 33,900 | 29,582 | 28,714 |
| Other Revenue | | | |
| Refunds of Expenditure | 1,475 | 2,937 | 4,467 |
| Tourism Highway Signage Initiative | 1,000 | 541 | 501 |
| Cost Recoveries | 5,000 | 5,767 | 8,716 |
| Contributions | 16,204 | 3,362 | 15,262 |
| Donated Tangible Capital Assets | 2,551 | 2,491 | 2,353 |
| Gain from Disposals of Tangible Capital Assets | - | - | 1,705 |
| Miscellaneous | 3,145 | 7,679 | 5,909 |
| | 29,375 | 22,777 | 38,913 |
| Total Revenues | $ 87,860 | $ 95,013 | $ 90,716 |

**MINISTRY OF TRANSPORTATION** **Schedule 2**

**SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS**

**CONSOLIDATED EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT**

**Year ended March 31, 2017**

| | 2017 | | 2016 |
|---|---|---|---|
| | Budget | Actual | Actual |
| | *(in thousands)* | | |
| Salaries, Wages and Employee Benefits | $ 75,532 | $ 71,900 | $ 72,019 |
| Supplies and Services | 410,696 | 406,128 | 405,108 |
| Grants | 255,842 | 264,126 | 285,822 |
| Financial Transactions and Other | 87,063 | 84,794 | 73,597 |
| Amortization of Tangible Capital Assets and Consumption of Inventory | 563,514 | 560,136 | 517,056 |
| | $ 1,392,647 | $ 1,387,084 | $ 1,353,602 |

**MINISTRY OF TRANSPORTATION** **Schedule 3**
**SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS**
**CONSOLIDATED RELATED PARTY TRANSACTIONS**
**Year ended March 31, 2017**
*(in thousands)*

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties reported on the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties:

| | Other Entities | |
|---|---|---|
| | 2017 | 2016 |
| Revenue | | |
| Tourism Highway Signage | $ 216 | $ - |
| Expenses - Directly Incurred | | |
| Business and Technology Services | $ 2,868 | $ 2,643 |
| SUCH[1] Sector Entities | 576 | 614 |
| Insurance | 366 | 348 |
| Air Maps and Photos | 4 | 5 |
| | $ 3,814 | $ 3,610 |
| Payable to | | |
| SUCH[1] Sector Entities | $ 6 | $ - |
| Tangible Capital Assets Transferred In (Out) | $ (16,142) | $ 30,207 |

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These expense amounts are not recorded in the financial statements but are disclosed in Schedule 4.

| | Other Entities | |
|---|---|---|
| | 2017 | 2016 |
| Revenue | | |
| Road/Bridge Maintenance | $ 3,254 | $ 3,479 |
| Expenses - Incurred by Others (Schedule 4) | | |
| Accommodation | $ 8,704 | $ 8,434 |
| Business Services | 5,212 | 4,642 |
| Internal Audit | 14 | 70 |
| Legal Services | 1,558 | 1,397 |
| | $ 15,488 | $ 14,543 |

[1] SUCH - Schools, Universities, Colleges and Hospitals

**MINISTRY OF TRANSPORTATION**
**SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS**
**CONSOLIDATED ALLOCATED COSTS**
**Year ended March 31, 2017**
**(in thousands)**

Schedule 4

| | 2017 | | | | | 2016 |
|---|---|---|---|---|---|---|
| | | Expenses - Incurred by Others | | | | |
| Program | Expenses [1] | Accommodation Costs [2] | Business Services [3] | Legal Services [4] | Total Expenses | Total Expenses |
| Ministry Support Services | $ 32,035 | $ 1,731 | $ 5,226 | $ 370 | $ 39,362 | $ 38,008 |
| Program Services and Support | $ 27,561 | 4,065 | - | 400 | 32,026 | 32,813 |
| Traffic Safety Services | $ 32,428 | 2,795 | - | 788 | 36,011 | 36,120 |
| Alberta Transportation Safety Board | $ 1,669 | 113 | - | - | 1,782 | 1,681 |
| Provincial Highway Maintenance and Preservation | $ 948,943 | - | - | - | 948,943 | 903,958 |
| Capital for Emergent Projects Grant Programs | $ - | - | - | - | - | 100 |
| Municipal Transportation Grant Programs | $ 91,050 | - | - | - | 91,050 | 220,476 |
| Municipal Water Infrastructure Grant Programs | $ 151,641 | - | - | - | 151,641 | 61,564 |
| Federal Grant Program | $ 18,486 | - | - | - | 18,486 | - |
| 2013 Alberta Flooding: Non Disaster Recovery Program | $ 744 | - | - | - | 744 | 2,500 |
| Debt Servicing | $ 82,527 | - | - | - | 82,527 | 70,741 |
| | $ 1,387,084 | $ 8,704 | $ 5,226 | $ 1,558 | $ 1,402,572 | $ 1,367,961 |

(1) Expenses - Directly Incurred as per Consolidated Statement of Operations.
(2) Accommodation including grants in lieu of taxes, allocated by number of employees in each program
(3) Costs shown for Business Services include charges for financial and information technology support, internal audit and vehicles.
(4) Cost shown for Legal Services on Schedule 3, allocated by estimated costs incurred by each program.

# Department of Transportation Financial Statements

**For the year ended March 31, 2017**


**74** Independent Auditor's Report

**75** Statement of Operations

**76** Statement of Financial Position

**77** Statement of Change in Net Debt

**78** Statement of Cash Flows

**79** Notes to the Financial Statements

**99** Schedule 1 – Revenues

**100** Schedule 2 – Credit or Recovery

**101** Schedule 3 – Expenses – Directly Incurred Detailed by Object

**102** Schedule 4 – Lapse/Encumbrance

**106** Schedule 5 – Lottery Fund Estimates

**107** Schedule 6 – Salary and Benefits Disclosure

**108** Schedule 7 – Related Party Transactions

**110** Schedule 8 – Allocated Costs

AUDITOR GENERAL *Alberta*

## Independent Auditor's Report

To the Minister of Transportation

**Report on the Financial Statements**

I have audited the accompanying financial statements of the Department of Transportation, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Transportation as at March 31, 2017, and the results of its operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

May 31, 2017

Edmonton, Alberta

**DEPARTMENT OF TRANSPORTATION**
**STATEMENT OF OPERATIONS**
**Year ended March 31, 2017**

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| | | *(in thousands)* | |
| **Revenues (Schedule 1)** | | | |
| Government Transfers - Federal Grants (Note 5) | $ 24,585 | $ 42,654 | $ 23,089 |
| Premiums, Fees and Licences | 33,900 | 29,582 | 28,714 |
| Other | 29,375 | 22,777 | 38,913 |
| | 87,860 | 95,013 | 90,716 |
| **Expenses - Directly Incurred (Note 2(a), Schedules 3, 4 and 8)** | | | |
| **Program** | | | |
| Ministry Support Services | 31,723 | 32,035 | 31,586 |
| Program Services and Support | 28,320 | 27,561 | 28,562 |
| Traffic Safety Services | 35,878 | 32,428 | 32,434 |
| Grant to Alberta Transportation Safety Board | 2,360 | 2,360 | 2,360 |
| Provincial Highway Maintenance and Preservation | 956,839 | 948,943 | 903,958 |
| Capital for Emergent Projects Grant Programs | - | - | 100 |
| Municipal Transportation Grant Programs | 125,000 | 91,050 | 220,476 |
| Municipal Water Infrastructure Grant Programs | 130,000 | 151,641 | 61,564 |
| Federal Grant Program | - | 18,486 | - |
| 2013 Alberta Flooding: Non Disaster Recovery Program | - | 744 | 2,500 |
| Debt Servicing | 82,527 | 82,527 | 70,741 |
| | 1,392,647 | 1,387,775 | 1,354,281 |
| **Annual Deficit** | $ (1,304,787) | $ (1,292,762) | $ (1,263,565) |

The accompanying notes and schedules are part of these financial statements.

**DEPARTMENT OF TRANSPORTATION**
**STATEMENT OF FINANCIAL POSITION**
**As at March 31, 2017**

| | 2017 | 2016 |
|---|---|---|
| | *(in thousands)* | |
| **Financial Assets** | | |
| Cash | $ 318 | $ 460 |
| Accounts Receivable and Advances (Note 3) | 62,141 | 49,675 |
| | 62,459 | 50,135 |
| **Liabilities** | | |
| Accounts Payable and Accrued Liabilities | 151,084 | 214,694 |
| Holdbacks Payable | 38,926 | 54,429 |
| Liabilities under Public Private Partnerships (Note 6) | 2,126,196 | 2,080,178 |
| Liabilities for Contaminated Sites (Note 7) | 3,454 | 3,561 |
| | 2,319,660 | 2,352,862 |
| **Net Debt** | (2,257,201) | (2,302,727) |
| **Non-Financial Assets** | | |
| Tangible Assets Held for Transfer (Note 8) | 196,035 | 187,571 |
| Tangible Capital Assets (Note 9) | 18,794,088 | 18,315,636 |
| Inventories of Supplies | 14,095 | 17,292 |
| | 19,004,218 | 18,520,499 |
| **Net Assets Before Spent Deferred Capital Contributions** | 16,747,017 | 16,217,771 |
| Spent Deferred Capital Contributions (Note 4) | 1,150,247 | 1,126,877 |
| **Net Assets** | $ 15,596,770 | $ 15,090,894 |
| **Net Assets at Beginning of Year** | $ 15,090,894 | $ 14,055,487 |
| Adjustments to Net Assets (Note 15) | (16,142) | 30,027 |
| Annual Deficit | (1,292,762) | (1,263,565) |
| Net Financing Provided from General Revenues | 1,814,780 | 2,268,945 |
| **Net Assets at End of Year** | $ 15,596,770 | $ 15,090,894 |

Contractual obligations and contingent liabilities (Notes 10 and 11)

The accompanying notes and schedules are part of these financial statements.

**DEPARTMENT OF TRANSPORTATION**
**STATEMENT OF CHANGE IN NET DEBT**
**Year ended March 31, 2017**

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| | | *(in thousands)* | |
| **Annual Deficit** | $ (1,304,787) | $ (1,292,762) | $ (1,263,565) |
| Acquisition of Tangible Capital Assets | (1,269,804) | (933,442) | (1,488,722) |
| Amortization of Tangible Capital Assets (Note 9) | 513,514 | 516,166 | 473,916 |
| (Gain) Loss on Sale of Tangible Capital Assets | | 3 | (1,670) |
| Write-down of Tangible Capital Asset Accruals | | 2,563 | 992 |
| Proceeds on Sale of Tangible Capital Assets | | 4 | 1,711 |
| Donated and Contributed Tangible Capital Assets | (20,800) | (5,385) | (29,364) |
| Additions to Public Private Partnerships (Note 6) | (145,340) | (82,968) | (143,423) |
| Acquisition of Supplies of Inventories | (50,000) | (40,773) | (44,043) |
| Consumptions of Supplies of Inventories | 50,000 | 43,970 | 43,139 |
| Change in Spent Deferred Capital Contribution (Note 4) | | 23,370 | 26,197 |
| Net Financing Provided from General Revenue | | 1,814,780 | 2,268,945 |
| **(Increase) Decrease in (Net Debt)** | | $ 45,526 | $ (155,886) |
| **(Net Debt) at Beginning of Year** | | (2,302,727) | (2,146,841) |
| **(Net Debt) at End of Year** | | $ (2,257,201) | $ (2,302,727) |

The accompanying notes and schedules are part of these financial statements.

**DEPARTMENT OF TRANSPORTATION**
**STATEMENT OF CASH FLOWS**
**Year ended March 31, 2017**

| | 2017 | 2016 |
|---|---|---|
| | *(in thousands)* | |
| **Operating Transactions** | | |
| Annual Deficit | $ (1,292,762) | $ (1,263,565) |
| Non-cash items included in Net Operating Results: | | |
| Amortization of Capital Assets (Note 9) | 516,166 | 473,916 |
| (Gain) Loss on Disposal of Tangible Capital Assets | 3 | (1,670) |
| Deferred Capital Contribution recognized as Revenue (Note 4) | (29,962) | (28,072) |
| Donated and Contributed Tangible Capital Assets | (5,385) | (29,364) |
| Valuation Adjustments | (107) | 156 |
| | (812,047) | (848,599) |
| (Increase) Decrease in Accounts Receivable and Advances | (12,466) | 17,470 |
| (Increase) Decrease in Inventories of Supplies | 3,197 | (904) |
| Increase (Decrease) in Accounts Payable and Accrued Liabilities | (61,047) | 33,105 |
| Increase (Decrease) in Holdbacks Payable | (15,503) | (9,102) |
| Cash Applied to Operating Transactions | (897,866) | (808,030) |
| **Capital Transactions** | | |
| Acquisition of Tangible Capital Assets | (933,442) | (1,488,722) |
| Proceeds from Disposal of Tangible Capital Assets | 4 | 1,711 |
| Cash Applied to Capital Transactions | (933,438) | (1,487,011) |
| **Financing Transactions** | | |
| Repayment of Obligations under Public Private Partnerships | (36,950) | (28,124) |
| Contribution Restricted for Capital (Note 4) | 53,332 | 54,269 |
| Net Financing Provided from General Revenues | 1,814,780 | 2,268,945 |
| Cash Provided by Financing Transactions | 1,831,162 | 2,295,090 |
| **Increase (Decrease) in Cash** | (142) | 50 |
| **Cash, Beginning of Year** | 460 | 410 |
| **Cash, End of Year** | $ 318 | $ 460 |

The accompanying notes and schedules are part of these financial statements.

**DEPARTMENT OF TRANSPORTATION**
**NOTES TO THE FINANCIAL STATEMENTS**
**MARCH 31, 2017**

## NOTE 1 AUTHORITY AND PURPOSE

The Department of Transportation (the department) operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000.

The Department of Transportation:

- leads the development of a safe, innovative and sustainable integrated multi-modal (road-rail-air-port-active-public transit) transportation system for Alberta;
- leads the planning, construction, operation and preservation of our provincial highway network to connect Alberta's communities, and to support a sustainable and diversified economy encouraging social growth for the province;
- develops and implements the Alberta Transportation Safety Plan and operates the Office of Traffic Safety to reduce collisions and promote safer road users, vehicles, and infrastructure;
- manages grant programs to help municipalities develop and preserve their transportation systems and other priority infrastructure for Albertans;
- designs, constructs and maintains Alberta's water management infrastructure on behalf of Alberta Environment and Parks;
- promotes Alberta's interests in a safe, secure, innovative and sustainable transportation system at all levels of government, and in national and international trade agreements and regulatory harmonization initiatives; and
- supports the development of public transit systems in municipalities and across regions to provide Albertans with increased transportation options.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

### (a) Basis of Financial Reporting

**Revenues**

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recognized as unearned revenue.

Government Transfers
Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recognized as deferred revenue (deferred capital contributions and deferred revenue) if the eligibility criteria of the transfer, or the stipulations together with the department's actions and communications as to the use of transfers create a

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

### (a) Basis of Financial Reporting (continued)

Government Transfers (continued)
liability. These transfers are recognized as revenues as the stipulations are met and, when applicable, the department complies with its communicated uses of these transfers.

All other government transfers, without terms for the user of the transfer, are recognized as revenue when the transfer is authorized and the department meets the eligibility criteria (if any).

Capital Contributions and Donations
Restricted capital contributions or donations are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired or constructed tangible capital assets.

Donations are received from individuals, corporations, and private sector not-for-profit organizations. In kind donations of services and materials are recognized at fair value when such value can reasonably be determined.

Credit or Recovery
Credit or recovery initiatives provide a basis for authorizing spending. Credits or recoveries are shown in the details of the government estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual credit or recovery amounts exceed budget, the department may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the department's credit or recovery initiatives.

**Expenses**

Directly Incurred
Directly incurred expenses are those costs the department has primary responsibility and accountability for, as reflected in the government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets;
- pension costs, which are the cost of employer contributions for current service of employees during the year;
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities; and

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

### (a) Basis of Financial Reporting (continued)

Directly Incurred (continued)

- government transfers which are transfers of money to an individual, an organization or another government for which the department does not receive any goods or services directly in return. The major types of transfers and corresponding recognition criteria are as follows:
  - grants are recognized as expenses when authorized, eligibility criteria, if any are met and a reasonable estimate of the amounts can be made;
  - entitlements, which are non-discretionary because the amounts and recipients are prescribed, are recognized when eligibility occurs;
  - transfers under shared cost agreements, which are reimbursements of eligible expenditures, are recognized when the expenditures occur.

Incurred by Others

Services contributed by other related entities in support of the department's operations are not recognized and are disclosed in Schedule 7 and allocated to programs in Schedule 8.

**Valuation of Financial Assets and Liabilities**

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, advances, accounts payable, accrued liabilities, and holdbacks are estimated to approximate their carrying values because of the short term nature of these instruments.

**Financial Assets**

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the department are limited to cash and financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Cash

Cash consists of cash on hand and cash in transit.

Accounts Receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

### (a) Basis of Financial Reporting (continued)

**Liabilities**

Liabilities are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits.

Public Private Partnership (P3)
A public private partnership (P3) is defined as a cooperative venture based on contractual obligations between one or more public/private/not-for-profit partners that meet clearly defined public needs for the provision of goods or services. The department accounts for P3 projects in accordance with the substance of the underlying agreements.

Agreements that transfer substantially all the risks and rewards of ownership of the assets are classified as capital leases and are accounted for as follows:

- the capital asset is recognized at the total of progress payments made during construction and net present value of the future payments, discounted using the Government of Alberta's estimated borrowing rate for long term debt at the time of signing of the P3 agreement;
- the liability is recognized at the net present value of the future payments, discounted using the Government of Alberta's borrowing rate for long term debt at the time of signing of the P3 agreement;
- during construction, the capital asset (classified as work-in-progress) and the corresponding liability are recognized based on the estimated percentage complete; and
- amortization on a straight-line basis over the estimated useful life commences when the asset is in service.

Liability for Contaminated Sites
Contaminated sites are a result of contamination of a chemical, organic or live organism that exceeds an environmental standard, being introduced into soil or groundwater. The liability is recognized net of any expected recoveries. A liability for remediation of contaminated sites normally results from an operation(s) that is no longer in productive use and is recognized when all of the following criteria are met:

i. an environmental standard exists;
ii. contamination exceeds the environmental standard;
iii. the department is directly responsible or accepts responsibility;
iv. it is expected that future economic benefits will be given up; and
v. a reasonable estimate of the amount can be made.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

### (a) Basis of Financial Reporting (continued)

**Non-Financial Assets**

Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

a. are normally employed to deliver government services;
b. may be consumed in the normal course of operations; and
c. are not for sale in the normal course of operations.

Non-financial assets of the department are limited to tangible capital assets and inventories of supplies.

Tangible Capital Assets

Assets acquired by right are not included. Tangible capital assets of the department are recognized at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Contributed tangible capital assets are recognized at their fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is in service.

When physical assets (tangible capital assets and inventories of supplies) are gifted or sold for a nominal sum, the net book value of these physical assets less any nominal proceeds are recognized as grants in kind.

Disposal of tangible capital assets for nominal sum, often referred to as nominal sum disposal grants, are reported at the net book value of the asset.

Inventories of Supplies

Inventories consist of consumables (i.e. salt, sand and gravel) for the delivery of highway transportation programs and are valued at lower of cost or replacement cost.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

### (b) 2013 Alberta Flooding

*(in thousands)*

The full recovery from the June 2013 flood in southern Alberta will take a number of years. The Province's flood recovery initiatives, through its Disaster Recovery Program (DRP), provide financial assistance to impacted individuals, small businesses, municipalities, and government departments for uninsurable loss and damage. The DRP is administered and funded by the Alberta Emergency Management Agency of the Department of Municipal Affairs through the authority of the *Disaster Recovery Regulation*.

The Department of Municipal Affairs reports the DRP expenses and the related revenues from the federal government. No DRP expenses are reported by the Department of Transportation.

The Province's flood recovery initiatives include non-disaster recovery programs (non-DRP). Costs associated with non-disaster recovery programs are recognized as they are incurred. These costs are net of recoveries from insurance and other third parties.

| | 2017 | 2016 |
|---|---|---|
| Expenses – 2013 Alberta Flooding | | |
| • Non Disaster Recovery Program Expense | $ 744 | $ 2,500 |

### (c) Fort McMurray Land Exchange

The Fort McMurray land exchange is valued at the fair value of the assets exchanged.

The Province has entered into an agreement with the Regional Municipality of Wood Buffalo under which the Province will transfer land assets to the region in exchange for the region providing highway improvements and other services to the Province. The Ministry of Infrastructure holds the land that is exchanged under the agreement. The Ministry of Transportation receives the highway improvements to provincial highways and supports the highway improvements within the Regional Municipality of Wood Buffalo. While the transaction is governed under one agreement, each of the ministries of Infrastructure and Transportation recognize their respective portions of the agreement.

No transactions were recognized by the ministries in 2016-17.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

### (d) Future Accounting Changes

The Public Sector Accounting Board has issued the following accounting standards:

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**
  PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

- **PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)**
  PS 3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and establishes general disclosure standards for assets; and PS 3320 defines and establishes disclosure standards on contingent assets; PS 3380 defines and establishes disclosure standards on contractual rights.

- **PS 3430 Restructuring Transactions (effective April 1, 2018)**
  This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.

- **PS 3450 Financial Instruments (effective April 1, 2019)**
  Adoption of this standard requires corresponding adoption of: PS 2601 Foreign Currency Translation; PS1201 Financial Statement Presentation; and PS 3041 Portfolio Investments in the same period. These standards provide guidance on: recognition, measurement and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in a foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments. The department has not yet adopted this standard and has the option of adopting it in fiscal year 2019-20 or earlier.

Management is currently assessing the impact of these standards on the financial statements.

## NOTE 3 ACCOUNTS RECEIVABLE AND ADVANCES

*(in thousands)*

Accounts receivable and advances are $62,139 (2016 - $49,671) and $2 (2016 - $4) respectively. The details of accounts receivable are as follows:

| | 2017 | | | 2016 |
|---|---|---|---|---|
| | Gross Amount | Allowance for Doubtful Accounts | Net Realizable Value | Net Realizable Value |
| Transfers from Government of Canada (Note 5) | $ 30,347 | $ - | $ 30,347 | $ 28,304 |
| Contributions | 7,079 | - | 7,079 | 2,288 |
| Rental and Other | 7,304 | - | 7,304 | 1,897 |
| Fees, Permits and Licenses | 2,471 | 50 | 2,421 | 2,108 |
| Cost Recoveries | 14,988 | - | 14,988 | 15,074 |
| | $ 62,189 | $ 50 | $ 62,139 | $ 49,671 |
| 2016 Total | $ 49,690 | $ 19 | | |

Accounts receivable are unsecured and non-interest bearing.

## NOTE 4 DEFERRED REVENUE

*(in thousands)*

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Federal Government | Other | Total | Federal Government | Other | Total |
| Unearned revenue (i) | $ - | $ - | $ - | $ - | $ - | $ - |
| Unspent deferred capital contributions (ii) | - | - | - | - | - | - |
| Spent deferred capital contributions (iii) | 871,753 | 278,494 | 1,150,247 | 862,201 | 264,675 | 1,126,876 |
| | $ 871,753 | $ 278,494 | $ 1,150,247 | $ 862,201 | $ 264,675 | $ 1,126,876 |
| (i) Unearned revenue | | | | | | |
| Balance, beginning of year | $ - | $ - | $ - | $ - | $ - | $ - |
| Received/receivable during year | - | - | - | - | - | - |
| Less amounts recognized as revenue | - | - | - | - | - | - |
| Balance, end of year | $ - | $ - | $ - | $ - | $ - | $ - |
| (ii) Unspent deferred capital contribution | | | | | | |
| Balance, beginning of year | $ - | $ - | $ - | $ - | $ - | $ - |
| Contributions received/receivable during year | 33,668 | 19,664 | 53,332 | 23,698 | 30,571 | 54,269 |
| Transferred to spent deferred capital contributions | (33,668) | (19,664) | (53,332) | (23,698) | (30,571) | (54,269) |
| Balance, end of year | $ - | $ - | $ - | $ - | $ - | $ - |
| (iii) Spent deferred capital contributions | | | | | | |
| Balance, beginning of year | $ 862,202 | $ 264,675 | $ 1,126,877 | $ 861,539 | $ 239,140 | $ 1,100,679 |
| Transferred capital assets received/receivable | - | - | - | - | - | - |
| Transferred from unspent deferred capital contributions | 33,668 | 19,664 | 53,332 | 23,698 | 30,571 | 54,269 |
| Less amounts recognized as revenue | (24,117) | (5,845) | (29,962) | (23,036) | (5,036) | (28,072) |
| Balance, end of year | $ 871,753 | $ 278,494 | $ 1,150,247 | $ 862,201 | $ 264,675 | $ 1,126,876 |

## NOTE 5 GOVERNMENT TRANSFERS – FEDERAL GRANTS

*(in thousands)*

The department receives support for infrastructure from the Government of Canada's various federal programs. The full cost of provincial projects will be capitalized and amortized over the useful life of the infrastructure. The summary of each federal initiative is as follows:

### Operating Federal Grants

Public Transit Infrastructure Fund

In 2016 the Federal Government announced the Public Transit Infrastructure Fund. This funding will be provided to municipalities via the Department of Transportation to support the rehabilitation of transit systems, new capital projects, and planning and studies for future transit expansion to foster long-term transit plans.

## NOTE 5 GOVERNMENT TRANSFERS – FEDERAL GRANTS (continued)

*(in thousands)*

### Operating Federal Grants (continued)

Clean Water and Wastewater Fund
The Clean Water and Wastewater Fund was announced by the federal government in 2016. This funding will be provided to municipalities via the Department of Transportation for projects that contribute to various water treatment and distribution infrastructure.

### Capital Federal Grants

Canada Strategic Infrastructure Fund
The Canada Strategic Infrastructure Fund is a program whereby the Federal Government contributes funding to large scale infrastructure projects across the country. In 2014-15, there was one project that the department is receiving funding for under CSIF – Highway 63 twinning of approximately 100 kilometers of road to Fort McMurray (up to $150,000 over seven years beginning in 2009-10).

Building Canada Fund - Base Fund
The Building Canada Fund Provincial Base Fund is a program whereby the Federal Government contributes funding to the provinces to repair bridges, local roads and secondary highways from 2009 to 2014.

Building Canada Fund – Major Infrastructure Component
In 2008-09, the Federal Government announced the Building Canada Fund. The Major Infrastructure Component focuses on large, strategic projects of national and regional priority. This program requires a matching provincial contribution.

Infrastructure Stimulus Fund
In 2009-10, the Federal Government established the Infrastructure Stimulus Fund to focus on rehabilitation work needed to maintain the safety and extend the useful life of existing infrastructure while stimulating economic growth in the short term. Funding was only available for projects that were substantially complete by October 31, 2011. This program required matching contribution from the province and municipalities.

Asia-Pacific Gateway and Corridor Transportation Infrastructure Fund
In 2012-13, the Federal Government established the Asia Pacific Gateway and Corridor Transportation Infrastructure Fund to jointly fund the Highway 2 and 41 Avenue SW Intermodal Access Project up to a maximum of $75,000 ending in 2016-17.

P3 Canada Fund
The P3 Canada Fund is a program whereby the Federal Government contributes funding to large scale infrastructure projects across the country. In 2016-17, there was one project that the department was receiving funding for – Anthony Henday North East Edmonton Ring Road.

## NOTE 5 GOVERNMENT TRANSFERS – FEDERAL GRANTS (continued)

*(in thousands)*

Revenue, Deferred Revenue and Accounts Receivable recognized under Government Transfers – Federal Grants are as follows:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Revenue | Deferred Revenue | Receivable | Revenue | Deferred Revenue | Receivable |
| **Operating Federal Grants:** | | | | | | |
| Public Transit Infrastructure Fund | $ 13,486 | $ - | $ 13,486 | $ - | $ - | $ - |
| Clean Water and Wastewater Fund | 5,000 | - | 5,000 | - | - | - |
| Other | 50 | - | 50 | 53 | - | 53 |
| **Total Operating Federal Grants** | **18,536** | **-** | **18,536** | **53** | **-** | **53** |
| **Capital Federal Grants:** | | | | | | |
| Canada Strategic Infrastructure Fund | $ 5,995 | $ 261,889 | $ - | $ 5,995 | $ 267,384 | $ - |
| Provincial Base Fund | 7,397 | 106,704 | 11,811 | 7,397 | 114,100 | 11,811 |
| Building Canada Fund: Major Infrastructure Component | 4,673 | 213,769 | - | 4,673 | 218,442 | - |
| Infrastructure Stimulus Fund | 4,221 | 183,805 | - | 4,221 | 188,026 | 69 |
| Asia Pacific Gateway and Corridor Transportation Infrastructure Fund | 1,500 | 72,750 | - | 750 | 74,250 | 16,371 |
| P3 Canada Fund | 332 | 32,836 | - | - | - | - |
| **Total Capital Federal Grants** | **24,118** | **871,753** | **11,811** | **23,036** | **862,202** | **28,251** |
| **Total** | **$ 42,654** | **$ 871,753** | **$ 30,347** | **$ 23,089** | **$ 862,202** | **$ 28,304** |

## NOTE 6 LIABILITIES UNDER PUBLIC PRIVATE PARTNERSHIPS

*(in thousands)*

The department has entered into contracts for the design, finance, build and operation of the following public private partnerships: Anthony Henday - South East, North West and North East Edmonton Ring Road, and Stoney Trail - North East, South East Calgary Ring Road and South West Calgary Ring Road.

The details of the 35 year contract for the project that is under construction is as follows:

| Project | Contractor | Date contract entered into | Scheduled completion date | Date capital payments begin[(a)] |
|---|---|---|---|---|
| South West Calgary Ring Road | Mountain View Partners General Partnership (a consortium of companies) | September 2016 | October 2021 | October 2020 |

(a) Capital payments begin on the date specified or upon completion of the first of two segments of the project, whichever is later.

The details of the contracts for those projects already operational are as follows:

| Project | Contractor | Date contract entered into | Completion date | Date capital payments began |
|---|---|---|---|---|
| Anthony Henday - South East Edmonton Ring Road | Access Roads Edmonton Ltd. (a consortium of companies) | January 2005 | October 2007 | November 2007 |
| Stoney Trail - North East Calgary Ring Road | Stoney Trail Group (a consortium of companies) | February 2007 | October 2009 | November 2009 |
| Anthony Henday - North West Edmonton Ring Road | NORTHWESTCONNECT GENERAL PARTNERSHIP (a consortium of companies) | July 2008 | October 2011 | November 2011 |
| Stoney Trail - South East Calgary Ring Road | CHINOOK ROADS PARTNERSHIP (a consortium of companies) | March 2010 | November 2013 | November 2013 |
| Anthony Henday – North East Edmonton Ring Road | CAPITAL CITY LINK GENERAL PARTNERSHIP (a consortium of companies) | May 2012 | September 2016 | October 2016 |

## NOTE 6 LIABILITIES UNDER PUBLIC PRIVATE PARTNERSHIPS (continued)

*(in thousands)*

The calculation of the liabilities under public private partnerships is as follows:

| | 2017 | 2016 |
|---|---|---|
| Liabilities, beginning of year | $ 2,080,178 | $ 1,964,879 |
| Additions to liabilities during the year | 82,968 | 143,423 |
| Principal payments | (36,950) | (28,124) |
| Liabilities, end of year | $ 2,126,196 | $ 2,080,178 |

Estimated payment requirements for each of the next five years and thereafter are as follows:

| | |
|---|---|
| 2017-18 | $ 140,088 |
| 2018-19 | 140,088 |
| 2019-20 | 140,088 |
| 2020-21 | 140,169 |
| 2021-22 | 140,292 |
| Thereafter | 2,869,674 |
| | 3,570,399 |
| Less amount representing interest | (1,444,203) |
| Total NPV of capital payments at scheduled completion date | $ 2,126,196 |

## NOTE 7 LIABILITY FOR CONTAMINATED SITES

*(in thousands)*

The composition of liabilities is as follows:

| | 2017 | 2016 |
|---|---|---|
| Liabilities, Beginning of Year | $ 3,561 | $ 3,405 |
| Additions to Liabilities during the Year | 329 | 137 |
| Change in Estimate Related to Existing Sites | (436) | 19 |
| Remediation Work Performed | - | - |
| Liabilities, End of Year | $ 3,454 | $ 3,561 |

The recognized amount is based on management's estimates and historical costs to remediate or reclaim sites as well as expected expenditures on future reclamation activity.

The department has compiled a list of all potential sites and reviews the list at least annually. The site remediation and reclamation liability is recognized when the sites are no longer in operation and where remediation is legally enforceable.

## NOTE 8 TANGIBLE ASSETS HELD FOR TRANSFER

*(in thousands)*

Dams and water management structures are constructed by the department and transferred to the Department of Environment and Parks upon their completion. The Department of Transportation does not amortize these assets.

| | 2017 Historical Cost | | | |
|---|---|---|---|---|
| | Beginning of Year | Additions | Transfers, Adjustments, and Write-downs | End of Year |
| Dams and water management structures | $ 187,571 | $ 8,464 | $ - | $ 196,035 |
| 2016 Total | $ 183,983 | $ 10,111 | $ (6,523) | $ 187,571 |

## NOTE 9 TANGIBLE CAPITAL ASSETS

*(in thousands)*

The cost of assets and the related accumulated amortization for the department are summarized below.

| | 2017 Historical Cost [1] | | | | |
|---|---|---|---|---|---|
| | Estimated Useful Life | Beginning of Year | Additions | Disposals, Adjustments, and Write-downs | End of Year |
| Land | Indefinite | $ 869,243 | $ 37,859 | $ (16,173) | $ 890,929 |
| Buildings | 40 years | 56,261 | - | - | 56,261 |
| Equipment | 5-40 years | 9,409 | 369 | - | 9,778 |
| Computer hardware and software | 3-10 years | 140,390 | 4,805 | (1) | 145,194 |
| Provincial highways and roads [2] | 20-50 years | 21,358,082 | 907,550 | - | 22,265,632 |
| Bridges | 50-75 years | 2,184,282 | 60,185 | 24 | 2,244,491 |
| | | $ 24,617,667 | $ 1,010,768 | $ (16,150) | $ 25,612,285 |
| 2016 Total | | $ 22,930,507 | $ 1,651,398 | $ 35,762 | $ 24,617,667 |

| | 2017 Accumulated Amortization | | | | Net Book Value | |
|---|---|---|---|---|---|---|
| | Beginning of Year | Amortization Expense | Effect of Disposals | End of Year | March 31, 2017 | March 31, 2016 |
| Land | $ - | $ - | $ - | $ - | $ 890,929 | $ 869,243 |
| Buildings | 27,901 | 1,768 | - | 29,669 | 26,592 | 28,360 |
| Equipment | 4,999 | 350 | - | 5,349 | 4,429 | 4,410 |
| Computer hardware and software | 124,808 | 4,624 | - | 129,432 | 15,762 | 15,582 |
| Provincial highways and roads [2] | 5,545,092 | 462,015 | - | 6,007,107 | 16,258,525 | 15,812,990 |
| Bridges | 599,231 | 47,409 | - | 646,640 | 1,597,851 | 1,585,051 |
| | $ 6,302,031 | $ 516,166 | $ - | $ 6,818,197 | $ 18,794,088 | $ 18,315,636 |
| 2016 Total | $ 5,827,871 | $ 473,916 | $ 244 | $ 6,302,031 | | |

## NOTE 9 TANGIBLE CAPITAL ASSETS (continued)

*(in thousands)*

(1) Included in the cost of land, buildings, equipment, computer hardware and software, provincial highways and roads, and bridges is work in progress amounting to $980,552 (2016 - $2,415,389).

(2) Highways include original pavement and repaving overlays that represent improvements, roadbed, drainage works, and traffic control devices. Includes $2,298,328 historical cost (2016 - $2,215,360) and $199,134 accumulated amortization (2016 - $160,825) in alternatively financed capital assets. The additions to work in progress related to new highway construction under Public Private Partnerships (P3) is $184,225 (2016 - $318,774) See Note 6 for additional details.

## NOTE 10 CONTRACTUAL OBLIGATIONS

*(in thousands)*

Contractual obligations are obligations of the department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

| | 2017 | 2016 |
|---|---|---|
| Capital Investment | | |
| Construction Contracts and Service Agreements | $ 854,147 | $ 909,113 |
| Expense | | |
| Maintenance Contracts and Service Agreements | 654,139 | 604,985 |
| Grants | 1,696,933 | 813,628 |
| Obligations under Public Private Partnerships | | |
| Operation and Maintenance Payments | 3,785,318 | 3,230,413 |
| Progress Payments | 720,253 | 95,814 |
| Capital Payments | 620,033 | 78,366 |
| | $ 8,330,823 | $ 5,732,319 |

## NOTE 10 CONTRACTUAL OBLIGATIONS (continued)

*(in thousands)*

Estimated payment requirements for each of the next five years and thereafter are as follows:

| | Capital Payments | Expense | |
|---|---|---|---|
| | Construction Contracts and Service Agreements | Maintenance Contracts and Service Agreements | Grants |
| 2017-18 | $ 681,973 | $ 220,825 | $ 1,290,101 |
| 2018-19 | 109,028 | 171,910 | 298,418 |
| 2019-20 | 48,465 | 99,468 | 104,558 |
| 2020-21 | 8,583 | 64,987 | 1,928 |
| 2021-22 | 3,031 | 51,592 | 1,928 |
| Thereafter | 3,067 | 45,357 | - |
| | $ 854,147 | $ 654,139 | $ 1,696,933 |

| | Obligations Under Public Private Partnerships | | |
|---|---|---|---|
| | Operation, Maintenance and Rehabilitation Payments | Progress Payments | Capital Payments |
| 2017-18 | $ 70,837 | $ 141,456 | $ - |
| 2018-19 | 77,230 | 176,499 | - |
| 2019-20 | 73,193 | 189,099 | - |
| 2020-21 | 80,152 | 175,899 | 10,660 |
| 2021-22 | 100,772 | 37,300 | 27,055 |
| Thereafter | 3,383,134 | - | 967,334 |
| | $ 3,785,318 | $ 720,253 | $ 1,005,049 |
| Less amount representing interest | | | (385,016) |
| Total NPV of capital payments at scheduled completion date | | | $ 620,033 |

## NOTE 11 CONTINGENT LIABILITIES

*(in thousands)*

The department is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate. As at March 31, 2017 accruals totaling $34,338 (2016 - $31,772) have been recognized as a liability. The total amount claimed for all likely claims is $200,107 (2016 - $205,431). Included in the total likely claims are claims in which the department has been jointly named with other departments. The accrual provided for these claims represents the department's portion of the liability. Included in the total likely claims are claims covered in whole or in part by the Alberta Risk Management Fund. The resulting additional liability, if any, from likely claims in excess of the amounts accrued is not determinable.

The department has been named in ninety-nine (2016 – one hundred and seven) claims of which the outcome is not determinable. Of these claims, ninety (2016 – ninety-seven) have specified amounts totaling $6,139,663 (2016 – $5,653,710). The remaining nine (2016 – ten) claims have no amounts specified. Included in total claims are thirty-six claims totaling $31,527 (2016 – forty-two claims totaling $58,384) that are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

## NOTE 12 TRUST FUNDS UNDER ADMINISTRATION

*(in thousands)*

The department administers trust funds that are regulated funds consisting of public money over which the legislature has no power of appropriation. Because the province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the department's financial statements.

At March 31, 2017 trust funds under the administration were as follows:

| | 2017 | 2016 |
|---|---|---|
| Impaired Driving Initiatives Trust Fund | $ 688 | $ 654 |

The Impaired Driving Initiatives Trust Fund holds fines from individuals convicted of impaired driving. Trust funds are used for education programs.

## NOTE 13 PAYMENTS UNDER AGREEMENT

*(in thousands)*

The department has entered into agreements to deliver programs and services that are partly funded by the Government of Canada, the Kananaskis Improvement District and private companies. Costs incurred under these agreements are made by the department under authority in Section 25 of the *Financial Administration Act*.

Amounts paid and payable under agreements with program sponsors are as follows:

| | 2017 | 2016 |
|---|---|---|
| Japan Canada Oil Sands Limited (program sponsor) Roadway construction | $ 459 | $ 5,340 |
| Kananaskis Improvement District (program sponsor) Roadway maintenance | 73 | 73 |
| | $ 532 | $ 5,413 |

## NOTE 14 BENEFIT PLANS

*(in thousands)*

The department participates in the multi-employer pension plans: Management Employee Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense of these pension plans is equivalent to the annual contributions of $9,621 for the year ended March 31, 2017 (2016 - $9,928). Ministries are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2016, the Management Employees Pension Plan reported a surplus of $402,033 (2015 - surplus $299,051) and the Public Service Pension Plan reported a surplus of $302,975 (2015 - deficiency $133,188) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $50,020 (2015 - deficiency $16,305).

The department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2017, the Bargaining Unit Plan reported a surplus of $101,515 (2016 – surplus $83,006) and the Management, Opted Out and Excluded Plan a surplus of $31,439 (2016– surplus $29,246). The expense for these two plans is limited to the employer's annual contributions for the year.

## NOTE 15 ADJUSTMENTS TO NET ASSETS

The reconciliation of adjustments to net assets is as follows:

| | 2017 | 2016 |
|---|---|---|
| Non-grant transfer of tangible capital assets from/(to) other ministries | $ (16,142) | $ 30,027 |

## NOTE 16 COMPARATIVE FIGURES

Certain 2016 figures have been reclassified to conform to the 2017 presentation.

## NOTE 17 APPROVAL OF FINANCIAL STATEMENTS

The deputy minister and the senior financial officer approved these financial statements.

**DEPARTMENT OF TRANSPORTATION**
**SCHEDULE TO FINANCIAL STATEMENTS**
**REVENUES**
**Year ended March 31, 2017**

**Schedule 1**

| | 2017 | | 2016 |
|---|---|---|---|
| | Budget | Actual | Actual |
| | | *(in thousands)* | |
| Government Transfers - Federal Grants | | | |
| Building Canada - Base Component | $ 7,397 | $ 7,397 | $ 7,397 |
| Building Canada - Major Infrastructure Component | 4,673 | 4,673 | 4,673 |
| Canadian Strategic Infrastructure Fund | 6,000 | 5,995 | 5,995 |
| Infrastructure Stimulus Fund | 4,221 | 4,221 | 4,221 |
| Asia Pacific Gateway | 1,500 | 1,500 | 750 |
| Public Transit Infrastructure Fund | - | 13,486 | - |
| Clean Water Wastewater Fund | - | 5,000 | - |
| P3 Canada Fund | - | 332 | - |
| Other | 794 | 50 | 53 |
| | 24,585 | 42,654 | 23,089 |
| Premiums, Fees and Licenses | | | |
| Motor Transport Services & Other Premiums | 33,900 | 29,582 | 28,714 |
| Other Revenue | | | |
| Refunds of Expenditure | 1,475 | 2,937 | 4,467 |
| Tourism Highway Signage Initiative | 1,000 | 541 | 501 |
| Cost Recoveries | 5,000 | 5,767 | 8,716 |
| Contributions | 16,204 | 3,362 | 15,262 |
| Donated Tangible Capital Assets | 2,551 | 2,491 | 2,353 |
| Gain from Disposals of Tangible Capital Assets | - | - | 1,705 |
| Miscellaneous | 3,145 | 7,679 | 5,909 |
| | 29,375 | 22,777 | 38,913 |
| Total Revenues | $ 87,860 | $ 95,013 | $ 90,716 |

**DEPARTMENT OF TRANSPORTATION**
**SCHEDULE TO FINANCIAL STATEMENTS**
**CREDIT OR RECOVERY**
**Year ended March 31, 2017**

**Schedule 2**

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Authorized | Actual Revenue Recognized | Deferred Revenue | Actual Cash/ Donation Received/ Receivable | (Shortfall)/ Excess |
| | | | *(in thousands)* | | |
| **Operational** | | | | | |
| Motor Transport Permits and Licences | $ 8,800 | $ 6,428 | - | $ 6,428 | $ (2,372) |
| National Safety Code | 426 | - | - | - | (426) |
| Bridge Maintenance | 20 | 20 | - | 20 | - |
| | $ 9,246 | $ 6,448 | $ - | $ 6,448 | $ (2,798) (1) |
| **Capital - Voted** | | | | | |
| Provincial Highway Systems | $ 12,300 | $ 3,098 | $ 15,985 | $ 10,352 | $ (1,949) |
| Water Management Infrastructure | 500 | - | 461 | 461 | (39) |
| Tourism Highway Signage Initiative | 1,000 | 541 | - | 541 | (459) |
| | $ 13,800 | $ 3,639 | $ 16,446 | $ 11,354 | $ (2,447) (1) |

(1) Shortfall is deducted from current year's authorized spending, as disclosed in Schedule 4 to the financial statements.

**Motor Transport Permits and Licences**
A portion of the revenue for Motor Transport Permits and Licenses has been allocated to credit or recovery. This revenue partially offsets expenditures made to accommodate Alberta's increasing traffic volumes.

**National Safety Code**
The National Safety Code is a joint agreement between the Federal Government and the Province to ensure the safety of the public by placing standards on drivers of buses and freight trucks across the country. The Federal Government has agreed to pay $420 per year for 6 years beginning in 2009-10 and terminating in 2014-15.

**Bridge Maintenance**
Canadian Forest Products Ltd. has a 10-year agreement which began in 2007-08 whereby it makes regular contributions towards the maintenance of the Dunvegan Bridge by providing $200 of funding over 10 years beginning in 2007-2008.

**Provincial Highway Systems**
Various agreements exist whereby the private sector and municipalities make contributions towards capital investments in new roads, bridges, interchanges and vehicle inspection station equipment in the province.

**Water Management Infrastructure**
The Special Areas Water Supple Project will provide a reliable, good quality water supply from the Red Deer River to the Special Areas region in east central Alberta and parts of the Counties of Stettler and Paintearth. The Special Areas Water Board is contributing $1.8 million for an Environmental Impact Assessment to be completed over four years ending in 2017-18.

**Tourism Highway Signage Initiative**
The private sector contributes towards new investments in tourism related signs and structures in the province.

The above credits or recoveries are included in the Statement of Operations.

**DEPARTMENT OF TRANSPORTATION**
**SCHEDULE TO FINANCIAL STATEMENTS**
**EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT**
**Year ended March 31, 2017**

**Schedule 3**

| | 2017 | | 2016 |
|---|---|---|---|
| | Budget | Actual | Actual |
| | *(in thousands)* | | |
| Salaries, Wages and Employee Benefits | $ 74,424 | $ 70,867 | $ 70,972 |
| Supplies and Services | 409,444 | 405,475 | 404,460 |
| Grants | 258,202 | 266,486 | 288,182 |
| Financial Transactions and Other | 87,063 | 84,811 | 73,612 |
| Amortization of Tangible Capital Assets and Consumption of Inventory | 563,514 | 560,136 | 517,055 |
| | $ 1,392,647 | $ 1,387,775 | $ 1,354,281 |

**DEPARTMENT OF TRANSPORTATION**
**SCHEDULE TO FINANCIAL STATEMENTS**
**LAPSE/ENCUMBRANCE**
**Year ended March 31, 2017**

**Schedule 4**

| | | Voted Estimates [1] | Supplementary Estimate | Adjustments [2] | Adjusted Voted Estimates | Voted Actuals [3] | Unexpended (Over Expended) |
|---|---|---|---|---|---|---|---|
| | | *(in thousands)* | | | | | |
| **Program - Operating Expense** | | | | | | | |
| 1 | Ministry Support Services | | | | | | |
| 1.1 | Minister's Office | $ 755 | $ - | $ - | $ 755 | $ 634 | $ 121 |
| 1.2 | Deputy Minister's Office | 776 | - | - | 776 | 994 | (218) |
| 1.3 | Communications | 1,248 | - | - | 1,248 | 1,349 | (101) |
| 1.4 | Strategic Services | 28,944 | 138 | - | 29,082 | 29,363 | (281) |
| | | 31,723 | 138 | - | 31,861 | 32,340 | (479) |
| 2 | Program Services and Support | 28,320 | (336) | - | 27,984 | 27,561 | 423 |
| 3 | Traffic Safety Services | 35,878 | (513) | - | 35,365 | 32,446 | 2,919 |
| 4 | Grant to Alberta Transportation Safety Board | 2,360 | - | - | 2,360 | 2,360 | - |
| 5 | Provincial Highway Maintenance and Preservation | | | | | | |
| 5.1 | Maintenance | 267,068 | (2,379) | - | 264,689 | 267,855 | (3,166) |
| 5.2 | P3 Maintenance | 63,079 | - | - | 63,079 | 63,903 | (824) |
| 5.3 | Preservation | 31,132 | (3,500) | - | 27,632 | 29,777 | (2,145) |
| 5.4 | Assessment and Support Systems | 32,046 | - | - | 32,046 | 27,344 | 4,702 |
| | | 393,325 | (5,879) | - | 387,446 | 388,879 | (1,433) |
| 7 | Municipal Transportation Grant Programs | | | | | | |
| 7.2 | Strategic Transportation Infrastructure Program | - | - | - | - | 587 | (587) |
| 7.3 | Green Transit Incentives Program (GreenTRIP) | 125,000 | - | - | 125,000 | 90,463 | 34,537 |
| | | 125,000 | - | - | 125,000 | 91,050 | 33,950 |
| 8 | Municipal Water Infrastructure Grant Programs | | | | | | |
| 8.1 | Municipal Water Wastewater Program | 50,000 | - | - | 50,000 | 52,267 | (2,267) |
| 8.2 | Water for Life | 80,000 | - | - | 80,000 | 99,374 | (19,374) |
| | | 130,000 | - | - | 130,000 | 151,641 | (21,641) |
| 9 | Ring Roads | | | | | | |
| 9.3 | Debt Servicing | 82,527 | - | - | 82,527 | 82,527 | - |

**DEPARTMENT OF TRANSPORTATION**
**SCHEDULE TO FINANCIAL STATEMENTS**
**LAPSE/ENCUMBRANCE**
**Year ended March 31, 2017**

**Schedule 4**

| | Voted Estimates [1] | Supplementary Estimate | Adjustments [2] | Adjusted Voted Estimates | Voted Actuals [3] | Unexpended (Over Expended) |
|---|---|---|---|---|---|---|
| | | | *(in thousands)* | | | |
| 15 2013 Alberta Flooding | | | | | | |
| 15.2 Water and Wastewater Infrastructure Recovery | - | - | - | - | 744 | (744) |
| 16 Federal Grant Program | | | | | | |
| 16.1 Public Transit Infrastructure Fund | - | 27,496 | - | 27,496 | 13,486 | 14,010 |
| 16.2 Clean Water Wastewater Fund | - | 5,000 | - | 5,000 | 5,000 | - |
| | - | 32,496 | - | 32,496 | 18,486 | 14,010 |
| Credit or Recovery Shortfall (Schedule 2) | - | - | (2,798) | (2,798) | - | (2,798) |
| Total | $ 829,133 | $ 25,906 | $ (2,798) | $ 852,241 | $ 828,034 | $ 24,207 |
| **Lapse/(Encumbrance)** | | | | | | **$ 24,207** |

**DEPARTMENT OF TRANSPORTATION**
**SCHEDULE TO FINANCIAL STATEMENTS**
**LAPSE/ENCUMBRANCE**
**Year ended March 31, 2017**

**Schedule 4**

| | Voted Estimates [1] | Supplementary Estimate | Adjustments [2] | Adjusted Voted Estimates | Voted Actuals [3] | Unexpended (Over Expended) |
|---|---|---|---|---|---|---|
| | | | *(in thousands)* | | | |
| **Program - Capital** | | | | | | |
| 1 Ministry Support Services | | | | | | |
| 1.4 Strategic Services | $ 5,405 | $ - | $ 817 | $ 6,222 | $ 4,311 | $ 1,911 |
| 6 Capital for Emergent Projects | 2,023 | - | (209) | 1,814 | 899 | 915 |
| 9 Ring Roads | | | | | | |
| 9.1 Edmonton Ring Road | 44,523 | - | 5,218 | 49,741 | 109,705 | (59,964) |
| 9.2 Calgary Ring Road | 337,593 | - | (39,148) | 298,445 | 98,049 | 200,396 |
| | 382,116 | - | (33,930) | 348,186 | 207,754 | 140,432 |
| 10 Northeast Alberta Strategic Projects | | | | | | |
| 10.1 Highway 63 Twinning | 67,718 | - | (4,075) | 63,643 | 17,019 | 46,624 |
| 10.2 Fort McMurray Urban Area Upgrades | 21,157 | - | 1,714 | 22,871 | 28,300 | (5,429) |
| | 88,875 | - | (2,361) | 86,514 | 45,319 | 41,195 |
| 11 Provincial Highway Construction Projects | | | | | | |
| 11.1 Highway Twinning, Widening and Expansion | 227,702 | - | 30,596 | 258,298 | 138,268 | 120,030 |
| 11.2 Interchanges, Intersections and Safety Upgrades | 63,214 | 1,000 | 2,231 | 66,445 | 61,249 | 5,196 |
| | 290,916 | 1,000 | 32,827 | 324,743 | 199,517 | 125,226 |
| 12 Bridge Construction Projects | 55,672 | - | 3,224 | 58,896 | 49,568 | 9,328 |
| 13 Provincial Highway Rehabilitation | | | | | | |
| 13.1 Highway Rehabilitation Projects | 378,105 | - | (1,320) | 376,785 | 382,321 | (5,536) |
| 13.2 P3 Rehabilitation | 3,067 | - | 190 | 3,257 | 2,624 | 633 |
| | 381,172 | - | (1,130) | 380,042 | 384,945 | (4,903) |
| 14 Water Management Infrastructure | 21,914 | - | 8,369 | 30,283 | 8,744 | 21,539 |
| 15 2013 Alberta Flooding | | | | | | |
| 15.1 Highways and Bridges Infrastructure Recovery | 17,757 | - | 12,081 | 29,838 | 16,213 | 13,625 |
| 15.2 Water and Wastewater Infrastructure Recovery | 23,954 | - | 1,798 | 25,752 | 16,172 | 9,580 |
| | 41,711 | - | 13,879 | 55,590 | 32,385 | 23,205 |
| Credit or Recovery Shortfall (Schedule 2) | - | - | (2,447) | (2,447) | - | (2,447) |
| Total | $ 1,269,804 | $ 1,000 | $ 19,039 | $ 1,289,843 | $ 933,442 | $ 356,401 |
| **Lapse/(Encumbrance)** | | | | | | $ 356,401 |

**DEPARTMENT OF TRANSPORTATION**
**SCHEDULE TO FINANCIAL STATEMENTS**
**LAPSE/ENCUMBRANCE**
**Year ended March 31, 2017**

**Schedule 4**

| | Voted Estimates [1] | Supplementary Estimate | Adjustments [2] | Adjusted Voted Estimates | Voted Actuals [3] | Unexpended (Over Expended) |
|---|---|---|---|---|---|---|
| | | | *(in thousands)* | | | |
| **Financial Transactions** | | | | | | |
| 5 Provincial Highway Maintenance and Preservation | | | | | | |
| 5.5 Salt, Sand and Gravel | 50,000 | - | - | 50,000 | 40,774 | 9,226 |
| 9 Ring Roads | | | | | | |
| 9.3 Debt Repayment | 36,949 | - | - | 36,949 | 36,950 | (1) |
| Total | | | | | | |
| **Lapse/(Encumbrance)** | $ 86,949 | $ - | $ - | $ 86,949 | $ 77,724 | $ 9,225 |
| | | | | | | $ 9,225 |

(1) As per "Expense Vote by Program", "Capital Investment Vote by Program" and "Financial Transactions Vote by Program" pages 234-236 of 2016-17 Government Estimates
(2) Per the Supplementary Supply Estimates approved on February 22, 2017
(3) Adjustments include encumbrances, capital carry forward amounts, transfers between votes, and credit or recovery increases approved by Treasury Board, and credit or recovery shortfalls. An encumbrance is incurred when, on a vote by vote basis, the total of actual disbursements in the prior year exceed the total adjusted estimate. All calculated encumbrances from the prior year are reflected as an adjustment to reduce the corresponding Voted Estimate in the current year.
(4) Actuals exclude non-voted amounts such as amortization and valuation adjustments.

**DEPARTMENT OF TRANSPORTATION**
**SCHEDULE TO FINANCIAL STATEMENTS**
**LOTTERY FUND ESTIMATES**
**Year ended March 31, 2017**

**Schedule 5**

| | 2016-17 Lottery Fund Estimates | 2016-17 Actual | Unexpended (Over Expended) |
|---|---|---|---|
| | | *(in thousands)* | |
| Provincial Highway Maintenance | $ 40,000 | $ 40,000 | $ - |
| | $ 40,000 | $ 40,000 | $ - |

This table shows details of the initiatives within the Department that are funded by the Lottery Fund and compares it to the actual results.

**DEPARTMENT OF TRANSPORTATION**
**SCHEDULE TO FINANCIAL STATEMENTS**
**SALARY AND BENEFITS DISCLOSURE**
**Year Ended March 31, 2017**

**Schedule 6**

| | 2017 | | | | 2016 |
|---|---|---|---|---|---|
| | Base Salary[1] | Other Cash Benefits[2] | Other Non-cash Benefits[3] | Total | Total |
| Deputy Minister [4] [5] [6] | $ 286,977 | $ 207,520 | $ 72,402 | $ 566,899 | $364,779 |
| Assistant Deputy Ministers | | | | | |
| Safety, Policy and Engineering | 201,176 | 15,416 | 50,906 | 267,498 | 272,832 |
| Delivery Services [7] | 186,313 | - | 46,718 | 233,031 | 252,578 |
| Corporate Services and Information | 188,292 | - | 49,240 | 237,532 | 241,535 |
| Executive Directors | | | | | |
| Finance | 144,537 | - | 38,921 | 183,458 | 173,638 |
| Human Resources | 137,735 | - | 37,636 | 175,371 | 178,303 |

(1) Base salary includes regular salary and earnings such as acting pay.
(2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2017.
(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.
(4) Automobile provided, no dollar amount included in other non-cash benefits.
(5) The position was occupied by two individuals at different times during the year. Occupancy changed on July 1, 2016.
(6) Included in other cash benefits is $165,809 in severance benefits paid.
(7) The position was occupied by two individuals at different times during the year. Occupancy changed on September 6, 2016.

**DEPARTMENT OF TRANSPORTATION**
**SCHEDULE TO FINANCIAL STATEMENTS**
**RELATED PARTY TRANSACTIONS**
**Year ended March 31, 2017**
*(in thousands)*

**Schedule 7**

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

| | Entities in the Ministry | |
|---|---|---|
| | 2017 | 2016 |
| Expenses - Directly Incurred | | |
| Grant to Alberta Transportation Safety Board | $ 2,360 | $ 2,360 |

| | Other Entities | |
|---|---|---|
| | 2017 | 2016 |
| Revenue | | |
| Tourism Highway Signage | $ 216 | $ - |
| Expenses - Directly Incurred | | |
| Business and Technology Services | $ 2,863 | $ 2,643 |
| SUCH[1] Sector Entities | 576 | 614 |
| Insurance | 366 | 348 |
| Air Maps and Photos | 4 | 5 |
| | $ 3,809 | $ 3,610 |
| Payable to | | |
| SUCH[1] Sector Entities | $ 6 | $ - |
| Tangible Capital Assets Transferred In (Out) | $ (16,142) | $ 30,027 |

[1] SUCH - Schools, Universities, Colleges and Hospitals

**DEPARTMENT OF TRANSPORTATION**
**SCHEDULE TO FINANCIAL STATEMENTS**
**RELATED PARTY TRANSACTIONS**
**Year ended March 31, 2017**
*(in thousands)*

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These expense amounts are not recorded in the financial statements but are disclosed in Schedule 8.

| | Entities in the Ministry | |
|---|---|---|
| | 2017 | 2016 |
| Revenue | | |
| Financial Services | $ 170 | $ 170 |
| Human Resources | 112 | 112 |
| Information Technology | 103 | 103 |
| | $ 385 | $ 385 |

| | Other Entities | |
|---|---|---|
| | 2017 | 2016 |
| Revenue | | |
| Road/Bridge Maintenance | $ 3,254 | $ 3,479 |
| Expenses - Incurred by Others (Schedule 8) | | |
| Accommodation | $ 8,591 | $ 8,336 |
| Business Services | 5,212 | 4,642 |
| Internal Audit | 14 | 70 |
| Legal Services | 1,558 | 1,391 |
| | $ 15,375 | $ 14,439 |

**DEPARTMENT OF TRANSPORTATION**
**SCHEDULE TO FINANCIAL STATEMENTS**
**ALLOCATED COSTS**
**Year ended March 31, 2017**
**(in thousands)**

**Schedule 8**

| | 2017 | | | | | 2016 |
|---|---|---|---|---|---|---|
| | | Expenses - Incurred by Others | | | | |
| Program | Expenses [1] | Accommodation Costs [2] | Business Services [3] | Legal Services [4] | Total Expenses | Total Expenses |
| Ministry Support Services | $ 32,035 | $ 1,731 | $ 5,226 | $ 370 | $ 39,362 | $ 38,127 |
| Program Services and Support | $ 27,561 | 4,065 | - | 400 | 32,026 | 32,943 |
| Traffic Safety Services | $ 32,428 | 2,795 | - | 788 | 36,011 | 35,952 |
| Grant to Alberta Transportation Safety Board | $ 2,360 | - | - | - | 2,360 | 2,360 |
| Provincial Highway Maintenance and Preservation | $ 948,943 | - | - | - | 948,943 | 903,958 |
| Capital for Emergent Projects Grant Programs | $ - | - | - | - | - | 100 |
| Municipal Transportation Grant Programs | $ 91,050 | - | - | - | 91,050 | 220,476 |
| Municipal Water Infrastructure Grant Programs | $ 151,641 | - | - | - | 151,641 | 61,564 |
| Federal Grant Program | $ 18,486 | - | - | - | 18,486 | - |
| 2013 Alberta Flooding: Non Disaster Recovery Program | $ 744 | - | - | - | 744 | 2,500 |
| Debt Servicing | $ 82,527 | - | - | - | 82,527 | 70,741 |
| | $ 1,387,775 | $ 8,591 | $ 5,226 | $ 1,558 | $ 1,403,150 | $ 1,368,721 |

(1) Expenses - Directly Incurred as per Statement of Operations.
(2) Cost shown for Accommodation (includes grants in lieu of taxes) on Schedule 7, allocated by number of employees in each program.
(3) Costs shown for Business Services include charges for financial and information technology support, internal audit and vehicles.
(4) Cost shown for Legal Services on Schedule 7, allocated by estimated costs incurred by each program.

# Alberta Transportation Safety Board Financial Statements

**For the year ended March 31, 2017**


**112** Independent Auditor's Report

**113** Statement of Operations

**114** Statement of Financial Position

**115** Statement of Change in Net Debt

**116** Statement of Cash Flows

**117** Notes to the Financial Statements

**121** Schedule 1 – Expenses – Directly Incurred Detailed by Object

**122** Schedule 2 – Salary and Benefits Disclosure

**123** Schedule 3 – Related Party Transactions

**124** Schedule 4 – Allocated Costs

AUDITOR GENERAL *Alberta*

## Independent Auditor's Report

To the Chair of the Alberta Transportation Safety Board

**Report on the Financial Statements**

I have audited the accompanying financial statements of the Alberta Transportation Safety Board, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Transportation Safety Board at March 31, 2017, and the results of its operations, its remeasurement gains and losses, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General
May 30, 2017
Edmonton, Alberta

**ALBERTA TRANSPORTATION SAFETY BOARD**
**STATEMENT OF OPERATIONS**
**Year ended March 31, 2017**

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| | | *(in thousands)* | |
| **Revenues** | | | |
| Transfer from Department of Transportation | $ 2,360 | $ 2,360 | $ 2,360 |
| **Expenses** | | | |
| Administration | 1,606 | 1,320 | 1,314 |
| Community Board Members | 754 | 349 | 367 |
| | 2,360 | 1,669 | 1,681 |
| **Annual Surplus** | $ - | $ 691 | $ 679 |

The accompanying notes and schedules are part of these financial statements.

## ALBERTA TRANSPORTATION SAFETY BOARD
## STATEMENT OF FINANCIAL POSITION
**As at March 31, 2017**

| | 2017 | 2016 |
|---|---|---|
| | *(in thousands)* | |
| **Financial Assets** | $ - | $ - |
| **Liabilities** | | |
| Accounts Payable and Accrued Liabilities | 168 | 158 |
| **Net Debt** | (168) | (158) |
| **Net Liabilities** | $ (168) | $ (158) |
| **Net Liabilities** | | |
| Accumulated Net Liability (Note 6) | $ (168) | $ (158) |
| | $ (168) | $ (158) |

The accompanying notes and schedules are part of these financial statements.

**ALBERTA TRANSPORTATION SAFETY BOARD**
**STATEMENT OF CHANGE IN NET DEBT**
**Year ended March 31, 2017**

| | 2017 | | 2016 |
|---|---|---|---|
| | Budget | Actual | Actual |
| | | *(in thousands)* | |
| **Annual Surplus** | $ - | $ 691 | $ 679 |
| Net Financing Provided from Department of Transportation | | (701) | (690) |
| **(Increase) in (Net Debt) in the Year** | | (10) | (11) |
| **(Net Debt), Beginning of Year** | | (158) | (147) |
| **(Net Debt), End of Year** | | $ (168) | $ (158) |

The accompanying notes and schedules are part of these financial statements.

**ALBERTA TRANSPORTATION SAFETY BOARD**
**STATEMENT OF CASH FLOWS**
**Year ended March 31, 2017**

| | 2017 | 2016 |
|---|---|---|
| | *(in thousands)* | |
| **Operating Transactions** | | |
| Annual Surplus | $ 691 | $ 679 |
| Non-cash items included in Net Operating Results: | | |
| Valuation Adjustments | (17) | (15) |
| | 674 | 664 |
| Increase in Accounts Payable and Accrued Liabilities | 27 | 26 |
| Cash Provided by Operating Transactions | 701 | 690 |
| **Financing Transactions** | | |
| Net Financing Provided from Department of Transportation | (701) | (690) |
| Cash Provided by Financing Transactions | (701) | (690) |
| **Increase (Decrease) in Cash and Cash Equivalents** | - | - |
| **Cash and Cash Equivalents, Beginning of Year** | - | - |
| **Cash and Cash Equivalents, End of Year** | $ - | $ - |

The accompanying notes and schedules are part of these financial statements.

**ALBERTA TRANSPORTATION SAFETY BOARD**
**NOTES TO THE FINANCIAL STATEMENTS**
**MARCH 31, 2017**

## NOTE 1 AUTHORITY AND PURPOSE

The Alberta Transportation Safety Board (Board) is a Provincial Agency established in 2003 pursuant to Section 22 of the *Traffic Safety Act*.

The Alberta Transportation Safety Board:

- is established under Part 2 of the *Traffic Safety Act*;
- conducts driver review hearings and independent appeals of drivers and commercial entities affected by decisions of the Registrar of Motor Vehicle Services (Transportation);
- conducts hearings under the *Railway (Alberta) Act*; and
- conducts all hearings in a fair and timely manner in accordance with the principles of natural justice.

All decisions of the Alberta Transportation Safety Board are made independently in accordance with governing legislation: the *Traffic Safety Act* and the *Railway (Alberta) Act*.

The Board is exempt from income taxes under the *Income Tax Act*.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

### (a) Reporting Entity

The reporting entity is Alberta Transportation Safety Board, which is part of the Ministry of Transportation and for which the Minister of Transportation is accountable. The other entity reporting to the Minister is the Department of Transportation. The activities of the Department are not included in these financial statements.

### (b) Basis of Financial Reporting

**Revenues**
All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recognized as unearned revenue.

Government Transfers
Transfers from all governments are referred to as government transfers.

All other government transfers, without stipulations for the use of the transfer, are recognized as revenue when the Board is eligible to receive the funds.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

### (b) Basis of Financial Reporting (continued)

**Expenses**
Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Directly Incurred
Directly incurred expenses are those costs the Board has primary responsibility and accountability for.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- pension costs, which are the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Incurred by Others
Services contributed by related other entities in support of the Board operations are not recognized and are disclosed in Schedule 3.

**Valuation of Financial Assets and Liabilities**

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments

**Financial Assets**

Financial assets are the Board's financial claims on external organizations and individuals.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

### (b) Basis of Financial Reporting (continued)

**Liabilities**

Liabilities represent present obligations of the Board to external organizations and individuals arising from transactions or events occurring before year end. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Liabilities also include:
- all financial claims payable by the Board at the year end.
- accrued employee vacation entitlements.

**Statement of Remeasurement Gains and Losses**

As the Board does not have any transactions involving financial instruments that are classified in the fair value category and has no foreign currency transactions, there are no re-measurement gains and losses and therefore a statement of re-measurement gains and losses has not been presented.

## NOTE 3 FUTURE ACCOUNTING CHANGES

The Public Sector Accounting Board has issued the following accounting standards:

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**
  PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

- **PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)**
  PS 3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosure standards on contingent assets; PS 3380 defines and establishes disclosure standards on contractual rights.

- **PS 3430 Restructuring Transactions (effective April 1, 2018)**
  This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and / or liabilities, together with related program or operating responsibilities.

Management is currently assessing the impact of these standards on the financial statements.

## NOTE 4 BUDGET

*(in thousands)*

A preliminary business plan with a budgeted surplus of $0 was approved by the Chair of Alberta Transportation Safety Board on March 24, 2016 and the full financial plan was submitted to the Minister of Transportation. The budget reported in the Statement of Operations reflects the original 2017 annual surplus and additional reclassifications required for more consistent presentation with current and prior year results.

## NOTE 5 BENEFIT PLANS

*(in thousands)*

The Board participates in the multi-employer pension plans: Management Employee Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense of these pension plans is equivalent to the annual contributions of $132 for the year ended March 31, 2017 (2016 - $119). Participating organizations are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2016, the Management Employees Pension Plan reported a surplus of $402,033 (2015 - surplus $299,051) and the Public Service Pension Plan reported a surplus of $302,975 (2015 - deficiency $133,188) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $50,020 (2015 - deficiency $16,305).

The Board also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2017, the Bargaining Unit Plan reported a surplus of $101,515 (2016 – surplus $83,006) and the Management, Opted Out and Excluded Plan a surplus of $31,439 (2016 – surplus $29,246). The expense for these two plans is limited to the employer's annual contributions for the year.

## NOTE 6 ACCUMULATED NET LIABILITIES

*(in thousands)*

Accumulated net liabilities are comprised of the following:

| | 2017 | 2016 |
|---|---|---|
| Balance Beginning of Year | $ (158) | $ (147) |
| Annual Surplus | 691 | 679 |
| Net Financing Provided from Department of Transportation | (701) | (690) |
| Balance End of Year | $ (168) | $ (158) |

## NOTE 7 APPROVAL OF FINANCIAL STATEMENTS

The senior financial officer and the Chair of the Board approved the financial statements of the Alberta Transportation Safety Board.

**ALBERTA TRANSPORTATION SAFETY BOARD** **Schedule 1**
**SCHEDULE TO FINANCIAL STATEMENTS**
**EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT**
**Year ended March 31, 2017**

| | 2017 | | 2016 |
|---|---|---|---|
| | Budget | Actual | Actual |
| | *(in thousands)* | | |
| Salaries, Wages and Employee Benefits | $ 1,108 | $ 1,016 | $ 1,033 |
| Supplies and Services | 1,252 | 653 | 648 |
| | $ 2,360 | $ 1,669 | $ 1,681 |

**ALBERTA TRANSPORTATION SAFETY BOARD**
**SCHEDULE TO FINANCIAL STATEMENTS**
**SALARY AND BENEFITS DISCLOSURE**
**Year Ended March 31, 2017**

**Schedule 2**

| | 2017 | | | | 2016 |
|---|---|---|---|---|---|
| | Base Salary[1] | Other Cash Benefits[2] | Other Non-cash Benefits[3] | Total | Total |
| Chair, Alberta Transportation Safety Board | $ 193,150 | $ - | $ 52,730 | $ 245,880 | $ 251,136 |

(1) Base salary includes regular salary and earnings such as acting pay.
(2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2017.
(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

**ALBERTA TRANSPORTATION SAFETY BOARD** **Schedule 3**
**SCHEDULE TO FINANCIAL STATEMENTS**
**RELATED PARTY TRANSACTIONS**
**Year ended March 31, 2017**
*(in thousands)*

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management of the Board.

The Board and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Board had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

| | Entities in the Ministry | |
|---|---|---|
| | 2017 | 2016 |
| Revenue | | |
| Grant from Department of Transportation | $ 2,360 | $ 2,360 |

| | Other Entities | |
|---|---|---|
| | 2017 | 2016 |
| Expenses - Directly Incurred | | |
| Business and Technology Services | $ 5 | $ - |

The Board also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These expense amounts are not recorded in the financial statements but are disclosed in Schedule 4.

| | Entities in the Ministry | |
|---|---|---|
| | 2017 | 2016 |
| Expenses - Incurred by Department of Transportation (Schedule 4) | | |
| Financial Services | $ 170 | $ 170 |
| Human Resources | 112 | 112 |
| Information Technology | 103 | 103 |
| | $ 385 | $ 385 |

| | Other Entities | |
|---|---|---|
| | 2017 | 2016 |
| Expenses - Incurred by Other Entity (Schedule 4) | | |
| Accommodation | $ 113 | $ 98 |
| Legal Services | - | 6 |
| | $ 113 | $ 104 |

**ALBERTA TRANSPORTATION SAFETY BOARD**
**SCHEDULE TO FINANCIAL STATEMENTS**
**ALLOCATED COSTS**
**Year ended March 31, 2017**
*(in thousands)*

**Schedule 4**

| | 2017 | | | | 2016 |
|---|---|---|---|---|---|
| | | Expenses - Incurred by Others | | | |
| Program | Expenses [1] | Business Services [2] | Accommodation | Total Expenses | Total Expenses |
| Administration | $ 1,320 | $ 385 | $ 113 | $ 1,818 | $ 1,803 |
| Community Board Members | 349 | - | - | 349 | 367 |
| | $ 1,669 | $ 385 | $ 113 | $ 2,167 | $ 2,170 |

(1) Expenses - Directly Incurred as per Statement of Operations.
(2) Costs shown for Business Services include charges for Financial Services, Human Resources, and Information Technology.

# ANNUAL REPORT EXTRACTS AND OTHER STATUTORY REPORTS

## Statutory Report: *Public Interest Disclosure (Whistleblower Protection) Act*

Section 32 of the *Public Interest Disclosure (Whistleblower Protection) Act* requires the Ministry to report annually on the following parts of the *Act*:

32 (1) Every chief officer must prepare a report annually on all disclosures that have been made to the designated officer of the department, public entity or office of the Legislature for which the chief officer is responsible.

(2) The report under subsection (1) must include the following information:

(a) the number of disclosures received by the designated officer, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;

(b) the number of investigations commenced by the designated officer as a result of disclosures;

(c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

(3) The report under subsection (1) must be included in the annual report of the department, public entity or office of the Legislature if the annual report is made publicly available on request.

There were no disclosures of wrongdoing filed with the Public Interest Disclosure Office for Alberta Transportation between April 1, 2016 and March 31, 2017.

For a PDF of this annual report, visit the Government of Alberta website:
**www.transportation.alberta.ca/Content/Publications/production/AnnualReport2016-17.pdf**

PRINT VERSION: 978-1-4601-3423-8 (ISBN) 1924-066X (ISSN) June 2017
ONLINE PDF VERSION: 978-1-4601-3424-5 (ISBN) 2368-0482 (ISSN)

Printed in Alberta, Canada
on recycled paper